

**FINDINGS OF THE HILLSBORO
INDEPENDENT SCHOOL DISTRICT BOARD
OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
IKO SOUTHWEST INC. (#1006)**



November 10, 2014

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OF THE
HILLSBORO INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
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ON THE APPLICATION SUBMITTED BY
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NOVEMBER 10, 2014

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SCHOOL DISTRICT BOARD OF TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
IKO SOUTHWEST INC. (#1006)

STATE OF TEXAS

§

COUNTY OF HILL

§

On the 10th day of November, 2014, a public meeting of the Board of Trustees of the Hillsboro Independent School District (“District”) was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of IKO Southwest Inc. (“Applicant”) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District’s administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees makes the following findings with respect to application from Applicant, and the economic impact of that application:

On April 22, 2014, the Superintendent of the District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts (“Comptroller”) received an Application from Applicant for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The application was determined complete by the Comptroller on June 11, 2014. A copy of the Application is attached as **Attachment A**.

The Applicant, (Texas Taxpayer Id. 10206360074), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be an active franchise tax payer by the Comptroller. See **Attachment B**.

The Board of Trustees acknowledged receipt of the Application, along with the requisite application fee, established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

The Application was delivered to the Comptroller for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Hill Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Comptroller pursuant to Texas Tax Code §313.026, and a Comptroller Certificate was issued on March 6, 2014 in which the Comptroller has determined that: 1) the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised values; 2), the proposed project is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period; and, 3) the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. A copy of the Certificate is attached to the findings as **Attachment C**.

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed value limitation on the finances of District. A copy of the report prepared by Moak, Casey & Associates, Inc. is attached to these findings as **Attachment D**.

The Board of Trustees has confirmed that the taxable value of property in the District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in **Attachment E**.

The Texas Education Agency has evaluated the impact of the project on the District's facilities. TEA's determination is attached to these findings as **Attachment F**.

After receipt of the Application, the District entered into negotiations with Applicant, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The parties were able to agree upon language for inclusion into a draft agreement pursuant to Texas Tax Code §313.027. Some of the terms agreed to by the parties were at variance with specific

language contained in Comptroller Form 50-286. Such changes were submitted to the Texas Comptroller for review pursuant to 34 Tex. Admin. Code §9.1055(e)(1). The proposed changes were rejected because of the variance from the Comptroller Form 50-286. At the specific direction of the Comptroller's Office, the parties used the template Texas Economic Development Agreement. As required by the Comptroller's Office, the parties changed only the provisions of the template that the Comptroller permitted. The proposed Agreement is attached to these findings as **Attachment G**. In November, 2014, the Texas Comptroller's Office announced its intention to modify Comptroller Form 50-286 and to permit amendments to existing agreements including the agreement for which these Findings are being made.

After review of the Comptroller's Certificate and economic analysis, and in consideration of its own studies the Board finds:

Board Finding Number 1.

The Board finds that the property meets the requirements of §313.024 for eligibility for a limitation on appraised valued.

In support of Finding 1, the Application indicates that:

IKO Southwest Inc. (IKO) is requesting an appraised value limitation from Hillsboro Independent School District (ISD) for their proposed state-of-the-art world class factory to manufacture asphalt roofing shingles (the "Project"), in Hillsboro, TX.

Property that is used for manufacturing satisfies the requirements of §313.024(b)(1).

Board Finding Number 2.

The project proposed by the applicant is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue, including state tax revenue, school district maintenance and operations ad valorem tax revenue attributable to the project, and any other tax revenue attributable to the effect of the project on the economy of the state, in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement.

In support of Finding 2, the economic impact evaluation Attachment B states:

This represents the Comptroller's determination that IKO Southwest Inc. (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

| | Tax Year | Estimated ISD M&O Tax Levy Generated (Annual) | Estimated ISD M&O Tax Levy Generated (Cumulative) | Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual) | Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative) |
|---|----------|---|---|---|---|
| Limitation Pre-Years | 2014 | \$0 | \$0 | \$0 | \$0 |
| | 2015 | \$5,750 | \$5,750 | \$0 | \$0 |
| | 2016 | \$281,750 | \$287,500 | \$0 | \$0 |
| Limitation Period (10 Years) | 2017 | \$230,000 | \$517,500 | \$673,354 | \$673,354 |
| | 2018 | \$230,000 | \$747,500 | \$647,026 | \$1,320,380 |
| | 2019 | \$230,000 | \$977,500 | \$621,486 | \$1,941,866 |
| | 2020 | \$230,000 | \$1,207,500 | \$596,709 | \$2,538,575 |
| | 2021 | \$230,000 | \$1,437,500 | \$572,598 | \$3,111,172 |
| | 2022 | \$230,000 | \$1,667,500 | \$549,210 | \$3,660,382 |
| | 2023 | \$230,000 | \$1,897,500 | \$526,523 | \$4,186,905 |
| | 2024 | \$230,000 | \$2,127,500 | \$504,518 | \$4,691,423 |
| | 2025 | \$230,000 | \$2,357,500 | \$483,172 | \$5,174,595 |
| | 2026 | \$230,000 | \$2,587,500 | \$462,467 | \$5,637,062 |
| Maintain Viable Presence (5 Years) | 2027 | \$672,383 | \$3,259,883 | \$0 | \$5,637,062 |
| | 2028 | \$652,901 | \$3,912,784 | \$0 | \$5,637,062 |
| | 2029 | \$634,004 | \$4,546,789 | \$0 | \$5,637,062 |
| | 2030 | \$615,674 | \$5,162,463 | \$0 | \$5,637,062 |
| | 2031 | \$597,894 | \$5,760,357 | \$0 | \$5,637,062 |
| Additional Years as Required by 313.026(c)(1) (10 Years) | 2032 | \$580,647 | \$6,341,004 | \$0 | \$5,637,062 |
| | 2033 | \$563,918 | \$6,904,922 | \$0 | \$5,637,062 |
| | 2034 | \$547,690 | \$7,452,612 | \$0 | \$5,637,062 |
| | 2035 | \$531,950 | \$7,984,562 | \$0 | \$5,637,062 |
| | 2036 | \$516,681 | \$8,501,243 | \$0 | \$5,637,062 |
| | 2037 | \$501,871 | \$9,003,114 | \$0 | \$5,637,062 |
| | 2038 | \$487,505 | \$9,490,618 | \$0 | \$5,637,062 |
| | 2039 | \$473,569 | \$9,964,188 | \$0 | \$5,637,062 |
| | 2040 | \$460,052 | \$10,424,240 | \$0 | \$5,637,062 |
| | 2041 | \$446,941 | \$10,871,181 | \$0 | \$5,637,062 |
| | | \$10,871,181 | is greater than | \$5,637,062 | |
| Analysis Summary | | | | | |
| Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement? | | | | | Yes |

Source: CPA, IKO Southwest, Inc.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Board Finding Number 3.

The limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.

In support of Finding 3, the economic impact evaluation Attachment C states:

The Comptroller determined that the limitation on appraised value is a determining factor in the IKO Southwest Inc.'s decision to invest capital and construct the project in this state. This is based on the information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- According to the company they are looking to expand their market share in the US and have been offered extensive incentives totaling approximately \$18 million to build the new factory in Hugo, Oklahoma.
- The applicant just finished construction of a plant in Alabama and has three other asphalt shingle plants in the US, four in Canada and two in Europe. The Hillsboro factory would be the company's fifth manufacturing factory in the US. They have the ability to invest, locate and develop new manufacturing factories in numerous locations throughout the United States, Canada and Europe.
- The applicant has a Tax Code 312 agreement with Hill College and seeking Tax Code 312 agreements with the City of Hillsboro and Hill County.
- The applicant is also seeking an incentive from the Texas Enterprise Fund.
- The applicant does not indicate in the application if the limitation on appraised value is a determining factor.

Board Finding Number 4.

The Board finds that the Application Fee received for the Application for which these Findings are being made was reasonable and only in such an amount as was necessary to cover the District's costs of processing such Application.

Board Finding Number 5.

Based upon the information provided in the Application and in the Comptroller's Certificate package, the Board finds that that the number of jobs to be created and the wages to be paid comply with the requirements of statute. And, the Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G), in accordance with Comptroller's Form 50-286, contains all required provisions and information related to the required job creation requirements, to wit: the provisions set forth in Subsections 9.1C&D of said Agreement.

The Applicant has committed to creating 25 new qualifying jobs. The average salary level of qualifying jobs will be at least \$42,000 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the county average manufacturing wage. As defined in Section 313.021 of the Tax Code, "Qualifying job" means a permanent full-time job that:

- (A) requires at least 1,600 hours of work a year;
- (B) is not transferred from one area in this state to another area in this state;
- (C) is not created to replace a previous employee;
- (D) is covered by a group health benefit plan for which the business offers to pay at least 80 percent of the premiums or other charges assessed for employee-only coverage under the plan, regardless of whether an employee may voluntarily waive the coverage; and
- (E) pays at least 110 percent of the county average weekly wage for manufacturing jobs in the county where the job is located.

Board Finding Number 6.

The average salary level for non-qualifying jobs must be at least \$34,502 per year, which is the average weekly wage for all jobs in the county where the non-qualifying jobs are located.

For any non-qualifying job the Applicant creates, the Applicant must pay at least the county average wage for all jobs in the county.

Board Finding Number 7.

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$78 million to the tax base for debt service purposes at the peak investment level for the 2017-18 school year. The project remains fully taxable for debt services taxes, with the District levying a \$0.26 per \$100 I&S rate.

Under the estimates presented in the school finance analysis, HISD should see a boost in I&S tax collections in the 2017-18 school year, which is the peak valuation year under the schedule included in the application. Even with that additional value, however, it appears that HISD will have a state taxable value per ADA that falls slightly below the equivalent \$350,000 per ADA guarantee under the state facilities programs (Instructional Facilities Allotment and Existing Debt Allotment). Since the underlying tax base was held static for the purposes of analyzing the impact of the value limitation, a combination of underlying tax base growth and the IKO Southwest project could generate a long-term net benefit for HISD taxpayers in terms of addressing the District's debt needs.

Board Finding Number 8.

The effect of the applicant's proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District's facility needs, with current trends suggest little underlying enrollment growth based on the impact of the project.

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new manufacturing

project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in the District as stated in **Attachment F**.

Board Finding Number 9.

The Board finds that with the adoption of District Policy CCG (Local), implemented in conformance with both Comptroller and Texas Education Agency Rules governing Chapter 313 Agreements, it has developed a process to verify, either directly or through its consultants, the accuracy and completeness of information in annual eligibility reports and biennial progress reports regarding (1) the reported number of jobs created and (2) the reported amount invested in the property.

Board Finding Number 10.

The Board of Trustees hired consultants to review and verify the information in the Application. Based upon the consultants' review, the Board has determined that the information provided by the Applicant is true and correct.

The Board has developed a written policy CCG (Local) which requires, upon the filing of an Application under Tax Code Chapter 313, the retention of consultants in order to verify: (1) that Applicant's information contained in the Application as to existing facts is true and correct; (2) that Applicant's information contained in the Application with respect to projections of future events are commercially reasonable and within the ability of Applicant to execute; (3) that information related to job creation is commercially reasonable and within the ability of Applicant to execute; (4) that Applicant's representations concerning and economic incentives being offered, if any, and (2) the proposed project meets eligibility requirements.

As a part of its verification process the Board notes that the Chapter 313 Application for which these Findings are being made has been submitted by Applicant under oath. Chapter 313 Applications are governmental records under Tex. Penal Code § 37.01(2)(A); as a result, all statements contained therein are representations of fact within the meaning of Tex. Penal Code § 37.01(3). Since Board action upon the adoption of these Findings and the approval of the Chapter 313 Tax Limitation Agreement (**Attachment G**) is an "official

proceeding,” a false statement on a Chapter 313 application constitutes perjury under Tex. Penal Code § 37.03.

The Board finds that sworn statements are routinely used as an acceptable verification method for reliance by fact finders in each of the three separate branches of government, including trials.

The consultants have prepared signed statements that the consultants have reviewed and verified the contents of the Application and have determined that the current statements of fact contained in the Application are true and correct. The Board finds that reliance by the Board and its consultants upon verified statements of the Applicant, especially as to Applicant’s future intentions which cannot be objectively verified is reasonable and within the intent of Chapter 313, Texas Tax Code.

Board Finding Number 11.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Twenty Million Dollars, which is consistent with the minimum values currently set out by Tax Code, § 313.054(a).

The Board finds that the Chapter 313 Tax Limitation Agreement (**Attachment G**), in accordance with Comptroller’s Form 50-286, contains all required provisions and information related to the required investment amount, to wit: the amount set forth in Section 2.4B of said Agreement. According to the Texas Comptroller of Public Accounts’ School and Appraisal Districts’ Property Value Study 2013 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2013 industrial value for the District is \$42.1 million. The District is categorized as Subchapter C, which applies only to a school district that has territory in a strategic investment area, as defined under Subchapter O, Chapter 171, Tax Code or in a county: (1) that has a population of less than 50,000 and (2) in which, from 1990 to 2000, according to the federal decennial census, the population: (A) remained the same; (B) decreased; or (C) increased, but at a rate of not more than three percent per annum. The District is classified as a “rural” district due to its population characteristics. Given that the value of

industrial property in the District is more than \$1 million but less than \$90 million, it is classified as a Category III district which can offer a minimum value limitation of \$20 million.

Board Finding Number 12.

The Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G), in accordance with Comptroller's Form 50-286, contains all required provisions and information related to the required investment amount, to wit: the amount set forth in Section 2.4B of said Agreement.

Board Finding Number 13.

The Applicant (Taxpayer Id. 10206360074) is eligible for the limitation on appraised value of qualified property as specified in the Agreement as an active franchise-tax paying entity.

The Applicant, (Texas Taxpayer Id. 10206360074), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be an active franchise tax payer by the Comptroller. See **Attachment B**. The Board also finds that the Chapter 313 Tax Limitation Agreement (Attachment G), in accordance with Comptroller's Form 50-286 contains all required provisions necessary for the Board to assess the eligibility of any business to which an agreement is transferred, to wit: the requirement that all assignments are amendments to the provision forth in Section 10.4 of said Agreement.

Board Finding Number 14.

The project will be located within an area that is currently designated as a reinvestment zone, pursuant to Chapter 312 of the Texas Tax Code. Should it be required, the District will cooperate with the Applicant and ensuring that the area remains designated as a reinvestment zone through the Final Termination Date of the Agreement.

Board Finding Number 15.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, includes adequate and appropriate revenue protection provisions for the District.

In support of this finding, the report of Moak, Casey & Associates, Inc. shows that the District will incur a revenue loss in the first year that the value limitation is in effect without the proposed Agreement. However, with this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. Revenue protection measures are in place for the duration of the Agreement.

Board Finding Number 16.

The Board finds that the methodology and processes for determining Applicant's revenue protection payments as are set forth in Article IV of the Chapter 313 Tax Limitation Agreement (Attachment G) comply with Texas Tax Code, Chapter 313.

Board Finding Number 17.

The Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G), in accordance with Comptroller's Form 50-286 contains all required provisions necessary for the Board to assess performance standards and to require periodic deliverables that will enable it to hold businesses accountable for achieving desired results, to wit: the reporting requirements set forth in Article VIII of said Agreement.

Board Finding Number 18.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, is in the form of the template Texas Economic Development Act adopted by the Comptroller. Should a new template be adopted that corrects the broken cross references, clarifies wording and grammatical errors, and corrects contractual ambiguities not acceptable to either party, the Board finds that it would be in the District's best interest to agree to amend the Agreement.

Board Finding Number 19.

The Board finds that there are no conflicts of interest at the time of considering the agreement.

The Board finds that with the adoption of District Policies BBFA and BBFB, both (Legal) and (Local), that it has taken appropriate action to ensure that all District Trustees, have disclosed any potential conflicts of interest, and that such disclosures will be made if any conflict of interest arises in the future, in compliance with the requirements of Texas Local Gov't Code §171.004.

The Board finds that with the adoption of District Policies DBD, DGA, and DH BBFB, both (Legal) and (Local) that it has taken appropriate action to ensure that all District employees and/or consultants, have disclosed any potential conflicts of interest, and that such disclosures will be made if any conflict of interest arises in the future, in compliance with the requirements of Texas Local Gov't Code §171.004.

The Board finds that that no non-disclosed conflicts of interest exist as to the Application for which these Findings are being made, as of the time of action on these Findings. In addition, Hillsboro ISD should ensure that disclosure occurs at the meeting at which the school board will vote on the business's application.

Board Finding Number 20.

The Board finds that it has directed that a link on its Web site to the Comptroller's Office's Web site where appraisal limitation related documents are made available to the public.

Board Finding Number 21.

Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

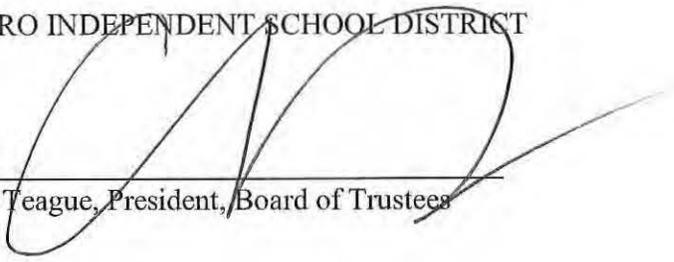
It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and hereby authorized to be executed and delivered by and on behalf of the District. It is further ORDERED that these findings and the Attachments referred to herein

be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the District.

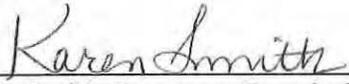
It is further ORDERED that upon the issuance by the Comptroller's Office of a new Form 50-286 that the Board, in accordance with Comptroller rules and new form 50-286, will consider an amendment to Attachment G upon the request of Applicant or District staff.

Dated the 10th day of November 2014.

HILLSBORO INDEPENDENT SCHOOL DISTRICT

By: 
Chris Teague, President, Board of Trustees

ATTEST:

By: 
Karen Smith, Secretary, Board of Trustees



LYNN M. MOAK, PARTNER

DANIEL T. CASEY, PARTNER

November 10, 2014

President and Members
Board of Trustees
Hillsboro Independent School District
121 East Franklin Street
Hillsboro, Texas 76645

Re: Recommendations and Findings of the firm Concerning Application of IKO Southwest Inc for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President Teague and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Hillsboro Independent School District, with respect to the pending Application of IKO Southwest Inc for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.
4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate revenue protection provisions to protect the interests of the District.

As a result of the foregoing it is our recommendation that the Board of Trustees approve the Application of IKO Southwest Inc for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in blue ink that reads "Daniel T. Casey".

Daniel T. Casey

www.moakcasey.com

Phone 512-485-7878

400 W. 15th Street ★ Suite 1410 ★ Austin, TX 78701-1648

Fax 512-485-7888

O'HANLON, McCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE
AUSTIN, TEXAS 78701
TELEPHONE: (512) 494-9949
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KEVIN O'HANLON
CERTIFIED, CIVIL APPELLATE
CERTIFIED, CIVIL TRIAL

LESLIE McCOLLOM
CERTIFIED, CIVIL APPELLATE
CERTIFIED, LABOR AND EMPLOYMENT
TEXAS BOARD OF LEGAL SPECIALIZATION

JUSTIN DEMERATH

November 10, 2014

President and Members
Of the Board of Trustees
Hillsboro Independent School District
121 East Franklin Street
Hillsboro, Texas 76645

*Re: Recommendations and Findings of the Firm Concerning Application of IKO
Southwest Inc for Limitation on Appraised Value of Property for School District
Maintenance and Operations Taxes, first qualifying year 2017*

Dear President Teague and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Hillsboro Independent School District, with respect to the pending Application of IKO Southwest Inc for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, to be effected by an agreement with a first qualifying time year of 2017. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. We have also negotiated an Agreement between the District and IKO Southwest Inc Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.

4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate legal provisions so as to protect the interests of the District.

As a result of the foregoing conclusions it is our recommendation that the Board of Trustees approve the Application of IKO Southwest Inc for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin O'Hanlon', written in a cursive style.

Kevin O'Hanlon
For the Firm

Attachment A

Application

O'HANLON, McCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE
AUSTIN, TEXAS 78701
TELEPHONE: (512) 494-9949
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KEVIN O'HANLON
CERTIFIED, CIVIL APPELLATE
CERTIFIED, CIVIL TRIAL

LESLIE McCOLLOM
CERTIFIED, CIVIL APPELLATE
CERTIFIED, LABOR AND EMPLOYMENT
TEXAS BOARD OF LEGAL SPECIALIZATION

JUSTIN DEMERATH

May 28, 2014

Local Government Assistance & Economic Analysis
Texas Comptroller of Public Accounts
P.O. Box 13528
Austin, Texas 78711-3528

RE: Amended Application to the Hillsboro Independent School District from IKO
SOUTHWEST INC

(First Qualifying Year 2015; First Year of Value Limitation 2017)

To the Local Government Assistance & Economic Analysis Division:

By copy of this letter transmitting the application for review to the Comptroller's Office, the Hillsboro Independent School District is notifying IKO SOUTHWEST INC of its intent to consider the application for appraised value limitation on qualified property should a positive certificate be issued by the Comptroller. The Applicant has used the form of the application posted on the Comptroller's Texas Ahead website. The company has provided the schedules in both electronic format and paper copies. The electronic copy is identical to the hard copy that will be hand delivered.

The Applicant submitted the Original Application to the school district on April 7, 2014. The Board voted to accept the application on April 22, 2014. The application has been determined complete as of May 6, 2014. The Amended Application, amended to include an anticipated school district created reinvestment zone, is accompanied by a new signature page, executed by the Superintendent and the company. Please prepare the economic impact report.

Letter to Local Government Assistance & Economic Analysis Division
May 28, 2014
Page 2 of 2

A copy of the application will be submitted to the Hill County Appraisal District.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Hanlon". The signature is stylized with overlapping loops and a long horizontal stroke at the end.

Kevin O'Hanlon
School District Consultant

Cc: Hill County Appraisal District
IKO SOUTHWEST INC LNG, LLC
Hillsboro Independent School District

TAB 1

Pages 1 through 11 of application.



Application for Appraised Value Limitation on Qualified Property (Tax Code, Chapter 313, Subchapter B or C)

Economic Development
and Analysis
Form 50-296-A

INSTRUCTIONS: This application must be completed and filed with the school district. In order for an application to be processed, the governing body (school board) must elect to consider an application, but — by Comptroller rule — the school board may elect to consider the application only after the school district has received a completed application. Texas Tax Code, Section 313.025 requires that any completed application and any supplemental materials received by the school district must be forwarded within seven days to the Comptroller of Public Accounts.

If the school board elects to consider the application, the school district must:

- notify the Comptroller that the school board has elected to consider the application. This notice must include:
 - the date on which the school district received the application;
 - the date the school district determined that the application was complete;
 - the date the school board decided to consider the application; and
 - a request that the Comptroller prepare an economic impact analysis of the application;
- provide a copy of the notice to the appraisal district;
- must complete the sections of the application reserved for the school district and provide information required in the Comptroller rules located at 34 Texas Administrative Code (TAC) Section 9.1054; and
- forward the original hard copy of the completed application to the Comptroller in a three-ring binder with tabs, as indicated on page 9 of this application, separating each section of the documents, in addition to an electronic copy on CD. See 34 TAC Chapter 9, Subchapter F.

The governing body may, at its discretion, allow the applicant to supplement or amend the application after the filing date, subject to the restrictions in 34 TAC Chapter 9, Subchapter F.

When the Comptroller receives the notice and required information from the school district, the Comptroller will publish all submitted application materials on its website. The Comptroller is authorized to treat some application information as confidential and withhold it from publication on the Internet. To do so, however, the information must be segregated and comply with the other requirements set out in the Comptroller rules. For more information, see guidelines on Comptroller's website.

The Comptroller will independently determine whether the application has been completed according to the Comptroller's rules (34 TAC Chapter 9, Subchapter F). If the Comptroller finds the application is not complete, the Comptroller will request additional materials from the school district. Pursuant to 9.1053(a)(1)(C), requested information shall be provided within 20 days of the date of the request. When the Comptroller determines that the application is complete, it will send the school district a notice indicating so. The Comptroller will determine the eligibility of the project, issue a certificate for a limitation on appraised value to the school board regarding the application and prepare an economic impact evaluation by the 90th day after the Comptroller receives a complete application—as determined by the Comptroller.

The school board must approve or disapprove the application before the 151st day after the application review start date (the date the application is finally determined to be complete), unless an extension is granted. The Comptroller and school district are authorized to request additional information from the applicant that is reasonably necessary to issue a certificate, complete the economic impact evaluation or consider the application at any time during the application review period.

Please visit the Comptroller's website to find out more about the program at www.texasahead.org/tax_programs/chapter313/. There are links on this Web page to the Chapter 313 statute, rules, guidelines and forms. Information about minimum limitation values for particular districts and wage standards may also be found at that site.

SECTION 1: School District Information

1. Authorized School District Representative

April 7, 2014

Date Application Received by District

Dr. James

First Name

Superintendent

Title

Hillsboro ISD

School District Name

121 East Franklin Street

Street Address

121 East Franklin Street

Mailing Address

Hillsboro,

City

254-582-8585

Phone Number

Mobile Number (optional)

Gilcrease

Last Name

TX

State

254-582-4165

Fax Number

gilcrease@hillsboroisd.org

Email Address

76645

ZIP

2. Does the district authorize the consultant to provide and obtain information related to this application? Yes No

The Economic Development and Analysis Division at the Texas Comptroller of Public Accounts provides information and resources for taxpayers and local taxing entities.

For more information, visit our website:
www.TexasAhead.org/tax_programs/chapter313/

SECTION 1: School District Information (continued)

3. Authorized School District Consultant (If Applicable)

| | |
|--------------------------|----------------------|
| Dan | Casey |
| First Name | Last Name |
| Partner | |
| Title | |
| Moak, Casey & Associates | |
| Firm Name | |
| 512-485-7878 | 512-485-7888 |
| Phone Number | Fax Number |
| 512-426-6662 | dcasey@moakcasey.com |
| Mobile Number (optional) | Email Address |

4. On what date did the district determine this application complete? 5/26/14
5. Has the district determined that the electronic copy and hard copy are identical? Yes No

SECTION 2: Applicant Information

1. Authorized Company Representative (Applicant)

| | | |
|--------------------------|------------------------|-------|
| Ron | Healey | |
| First Name | Last Name | |
| Treasurer | IKO Southwest Inc. | |
| Title | Organization | |
| 6 Denny Road, Suite 200 | | |
| Street Address | | |
| 6 Denny Road, Suite 200 | | |
| Mailing Address | | |
| Wilmington | DE | 19809 |
| City | State | ZIP |
| 302-764-3107 X-3260 | | |
| Phone Number | Fax Number | |
| | ron.healey@iko.com | |
| Mobile Number (optional) | Business Email Address | |

2. Will a company official other than the authorized company representative be responsible for responding to future information requests? Yes No
- 2a. If yes, please fill out contact information for that person.

| | | |
|------------------------------|------------------------|-------|
| John | Anhang | |
| First Name | Last Name | |
| Director of Special Projects | IKO Southwest, Inc. | |
| Title | Organization | |
| 6 Denny Road, Suite 200 | | |
| Street Address | | |
| 6 Denny Road, Suite 200 | | |
| Mailing Address | | |
| Wilmington | DE | 19809 |
| City | State | ZIP |
| 416-781-5545 x-5840 | | |
| Phone Number | Fax Number | |
| | john.anhang@iko.com | |
| Mobile Number (optional) | Business Email Address | |

3. Does the applicant authorize the consultant to provide and obtain information related to this application? Yes No

SECTION 2: Applicant Information (continued)

4. Authorized Company Consultant (If Applicable)

Wes _____ Jackson _____
 First Name Last Name
 Partner _____
 Title _____
 Cummings Westlake LLC _____
 Firm Name _____
 713-266-4456 x2 _____ 713-266-2333 _____
 Phone Number Fax Number
 wjackson@cwlp.net _____
 Business Email Address _____

SECTION 3: Fees and Payments

1. Has an application fee been paid to the school district? Yes No

The total fee shall be paid at time of the application is submitted to the school district. Any fees not accompanying the original application shall be considered supplemental payments.

1a. If yes, attach in **Tab 2** proof of application fee paid to the school district.

For the purpose of questions 2 and 3, "payments to the school district" include any and all payments or transfers of things of value made to the school district or to any person or persons in any form if such payment or transfer of thing of value being provided is in recognition of, anticipation of, or consideration for the agreement for limitation on appraised value.

2. Will any "payments to the school district" that you may make in order to receive a property tax value limitation agreement result in payments that are not in compliance with Tax Code §313.027(i)? Yes No N/A
3. If "payments to the school district" will only be determined by a formula or methodology without a specific amount being specified, could such method result in "payments to the school district" that are not in compliance with Tax Code §313.027(i)? Yes No N/A

SECTION 4: Business Applicant Information

1. What is the legal name of the applicant under which this application is made? IKO Southwest Inc.
2. List the Texas Taxpayer I.D. number of entity subject to Tax Code, Chapter 171 (11 digits) 10206360074
3. List the NAICS code 324122
4. Is the applicant a party to any other pending or active Chapter 313 agreements? Yes No
- 4a. If yes, please list application number, name of school district and year of agreement

SECTION 5: Applicant Business Structure

1. Identify Business Organization of Applicant (corporation, limited liability corporation, etc) Corporation
2. Is applicant a combined group, or comprised of members of a combined group, as defined by Tax Code §171.0001(7)? Yes No
- 2a. If yes, attach in **Tab 3** a copy of Texas Comptroller Franchise Tax Form No. 05-165, No. 05-166, or any other documentation from the Franchise Tax Division to demonstrate the applicant's combined group membership and contact information.
3. Is the applicant current on all tax payments due to the State of Texas? Yes No
4. Are all applicant members of the combined group current on all tax payments due to the State of Texas? Yes No N/A
5. If the answer to question 3 or 4 is no, please explain and/or disclose any history of default, delinquencies and/or any material litigation, including litigation involving the State of Texas. (If necessary, attach explanation in **Tab 3**)

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? Yes No
2. The property will be used for one of the following activities:
 - (1) manufacturing Yes No
 - (2) research and development Yes No
 - (3) a clean coal project, as defined by Section 5.001, Water Code Yes No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code Yes No
 - (5) renewable energy electric generation Yes No
 - (6) electric power generation using integrated gasification combined cycle technology Yes No
 - (7) nuclear electric power generation Yes No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) Yes No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 Yes No
3. Are you requesting that any of the land be classified as qualified investment? Yes No
4. Will any of the proposed qualified investment be leased under a capitalized lease? Yes No
5. Will any of the proposed qualified investment be leased under an operating lease? Yes No
6. Are you including property that is owned by a person other than the applicant? Yes No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? Yes No

at time of application, no land has been acquired. An option exists pending successful development of project

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

| | |
|---|--|
| <input checked="" type="checkbox"/> Land has no existing improvements | <input type="checkbox"/> Land has existing improvements (<i>complete Section 13</i>) |
| <input type="checkbox"/> Expansion of existing operation on the land (<i>complete Section 13</i>) | <input type="checkbox"/> Relocation within Texas |

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? Yes No
2. Has the applicant entered into any agreements or contracts for work to be performed related to the proposed project? Yes No
3. Does the applicant have current business activities at the location where the proposed project will occur? Yes No
4. Has the applicant made public statements in SEC filings or other official documents regarding its intentions regarding the proposed project location? Yes No
5. Has the applicant received any local or state permits for activities on the proposed project site? Yes No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? Yes No
7. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? Yes No
8. Has the applicant considered or is the applicant considering other locations not in Texas for the proposed project? Yes No
9. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? Yes No
10. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? Yes No

If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

For more information, visit our website: www.TexasAhead.org/tax_programs/chapter313/

SECTION 9: Projected Timeline

1. Application approval by school board September 2014
2. Beginning of qualifying time period September 2014
3. First year of limitation 2017
4. Begin hiring new employees Q3 - 2016
5. Commencement of commercial operations Q4 - 2016
6. Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? Yes No
- Note:** Improvements made before that time may not be considered qualified property.
7. When do you anticipate the new buildings or improvements will be placed in service? Q4 - 2016

SECTION 10: The Property

1. Identify county or counties in which the proposed project will be located Hill
2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Hill
3. Will this CAD be acting on behalf of another CAD to appraise this property? Yes No
4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:

| | |
|--|--|
| County: <u>Hill, \$0.54131 100%</u> <small>(Name, tax rate and percent of project)</small> | City: <u>Hillsboro, \$0.81833 100%</u> <small>(Name, tax rate and percent of project)</small> |
| Hospital District: <u>n/a</u> <small>(Name, tax rate and percent of project)</small> | Water District: <small>(Name, tax rate and percent of project)</small> |
| Other (describe): <u>Hill Co Jr. College, \$0.09151 100%</u> <small>(Name, tax rate and percent of project)</small> | Other (describe): <small>(Name, tax rate and percent of project)</small> |
5. Is the project located entirely within the ISD listed in Section 1? Yes No
5a. If no, attach in **Tab 6** additional information on the project scope and size to assist in the economic analysis.
6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)? Yes No
6a. If yes, attach in **Tab 6** supporting documentation from the Office of the Governor.

SECTION 11: Investment

NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as Subchapter B or Subchapter C, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's website at www.texasahead.org/tax_programs/chapter313/.

1. At the time of application, what is the estimated minimum qualified investment required for this school district? 20,000,000.00
2. What is the amount of appraised value limitation for which you are applying? 20,000,000.00
Note: The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.
3. Does the qualified investment meet the requirements of Tax Code §313.021(1)? Yes No
4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
 - a. a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (**Tab 7**);
 - b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (**Tab 7**); and
 - c. a detailed map of the qualified investment showing location of new buildings or new improvements with vicinity map (**Tab 11**).
5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period? Yes No

SECTION 12: Qualified Property

1. Attach a detailed description of the qualified property. [See §313.021(2)] (If qualified investment describes qualified property exactly, you may skip items a, b and c below.) The description must include:
 - 1a. a specific and detailed description of the qualified property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (Tab 8);
 - 1b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your qualified property (Tab 8); and
 - 1c. a map of the qualified property showing location of new buildings or new improvements with vicinity map (Tab 11).
2. Is the land upon which the new buildings or new improvements will be built part of the qualified property described by §313.021(2)(A)? Yes No
 - 2a. If yes, attach complete documentation including:
 - a. legal description of the land (Tab 9);
 - b. each existing appraisal parcel number of the land on which the new improvements will be constructed, regardless of whether or not all of the land described in the current parcel will become qualified property (Tab 9);
 - c. owner (Tab 9);
 - d. the current taxable value of the land. Attach estimate if land is part of larger parcel (Tab 9); and
 - e. a detailed map showing the location of the land with vicinity map (Tab 11).
3. Is the land on which you propose new construction or new improvements currently located in an area designated as a reinvestment zone under Tax Code Chapter 311 or 312 or as an enterprise zone under Government Code Chapter 2303? Yes No
 - 3a. If yes, attach the applicable supporting documentation:
 - a. evidence that the area qualifies as a enterprise zone as defined by the Governor's Office (Tab 16);
 - b. legal description of reinvestment zone (Tab 16);
 - c. order, resolution or ordinance establishing the reinvestment zone (Tab 16);
 - d. guidelines and criteria for creating the zone (Tab 16); and
 - e. a map of the reinvestment zone or enterprise zone boundaries with vicinity map (Tab 11)
 - 3b. If no, submit detailed description of proposed reinvestment zone or enterprise zone with a map indicating the boundaries of the zone on which you propose new construction or new improvements to the Comptroller's office within 30 days of the application date. What is the anticipated date on which you will submit final proof of a reinvestment zone or enterprise zone? September 2014

SECTION 13: Information on Property Not Eligible to Become Qualified Property

1. In Tab 10, attach a specific and detailed description of all **existing property**. This includes buildings and improvements existing as of the application review start date (the date the application is determined to be complete by the Comptroller). The description must provide sufficient detail to locate all existing property on the land that will be subject to the agreement and distinguish existing property from future proposed property.
2. In Tab 10, attach a specific and detailed description of all **proposed new property that will not become new improvements** as defined by TAC 9.1051. This includes proposed property that: functionally replaces existing or demolished/removed property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property; or is otherwise ineligible to become qualified property. The description must provide sufficient detail to distinguish existing property (question 1) and all proposed new property that cannot become qualified property from proposed qualified property that will be subject to the agreement (as described in Section 12 of this application).
3. For the property not eligible to become qualified property listed in response to questions 1 and 2 of this section, provide the following supporting information in Tab 10:
 - a. maps and/or detailed site plan;
 - b. surveys;
 - c. appraisal district values and parcel numbers;
 - d. inventory lists;
 - e. existing and proposed property lists;
 - f. model and serial numbers of existing property; or
 - g. other information of sufficient detail and description.
4. Total estimated market value of existing property (that property described in response to question 1): \$ 0.00
5. In Tab 10, include an appraisal value by the CAD of all the buildings and improvements existing as of a date within 15 days of the date the application is received by the school district.
6. Total estimated market value of proposed property not eligible to become qualified property (that property described in response to question 2): \$ 0.00

Note: Investment for the property listed in question 2 may count towards qualified investment in Column C of Schedules A-1 and A-2, if it meets the requirements of 313.021(1). Such property cannot become qualified property on Schedule B.

SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0
2. What is the last complete calendar quarter before application review start date:
 First Quarter Second Quarter Third Quarter Fourth Quarter of 2014
(year)
3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? 0
Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? 25
5. What is the number of new non-qualifying jobs you are estimating you will create? 15
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? Yes No
 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).
 - a. Average weekly wage for all jobs (all industries) in the county is 663.50
 - b. 110% of the average weekly wage for manufacturing jobs in the county is 806.00
 - c. 110% of the average weekly wage for manufacturing jobs in the region is 839.00
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? §313.021(5)(A) or §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? 41,899.00
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 42,000.00
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? Yes No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.024(d-2)? Yes No
 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? Yes No
 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

1. Complete and attach Schedules A1, A2, B, C, and D in **Tab 14**. Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.
2. Attach an Economic Impact Analysis, if supplied by other than the Comptroller's Office, in **Tab 15**. (*not required*)
3. If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, attach a separate schedule showing the amount for each year affected, including an explanation, in **Tab 15**.

SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in Tab 17. NOTE: If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print here ▶ Dr. James Gilcrease
Print Name (Authorized School District Representative)

sign here ▶ *[Signature]*
Signature (Authorized School District Representative)

Superintendent
Title

05-28-14
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print here ▶ Ron Healey
Print Name (Authorized Company Representative (Applicant))

sign here ▶ *[Signature]*
Signature (Authorized Company Representative (Applicant))

Treasurer
Title

5/27/14
Date

GIVEN under my hand and seal of office this, the

28th day of May, 2014

[Signature]
 Notary Public in and for the State of Texas Delaware

My Commission expires: June 20, 2014

(Notary Seal)

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.

***** J A I N E R . R A B I N *****
 MY COMMISSION EXPIRES ON
 JUNE 20, 2014
 NOTARY PUBLIC
 STATE OF DELAWARE

APPLICATION TAB ORDER FOR REQUESTED ATTACHMENTS

| TAB | ATTACHMENT |
|-----|--|
| 1 | Pages 1 through 11 of Application |
| 2 | Proof of Payment of Application Fee |
| 3 | Documentation of Combined Group membership under Texas Tax Code 171.0001(7), history of tax default, delinquencies and/or material litigation <i>(if applicable)</i> |
| 4 | Detailed description of the project |
| 5 | Documentation to assist in determining if limitation is a determining factor |
| 6 | Description of how project is located in more than one district, including list of percentage in each district and, if determined to be a single unified project, documentation from the Office of the Governor <i>(if applicable)</i> |
| 7 | Description of Qualified Investment |
| 8 | Description of Qualified Property |
| 9 | Description of Land |
| 10 | Description of all property not eligible to become qualified property <i>(if applicable)</i> |
| 11 | <p>Maps that clearly show:</p> <ul style="list-style-type: none"> a) Project vicinity b) Qualified investment including location of new buildings or new improvements c) Qualified property including location of new buildings or new improvements d) Existing property e) Land location within vicinity map f) Reinvestment or Enterprise Zone within vicinity map, showing the actual or proposed boundaries and size <p>Note: Electronic maps should be high resolution files. Include map legends/markers.</p> |
| 12 | Request for Waiver of Job Creation Requirement and supporting information <i>(if applicable)</i> |
| 13 | Calculation of three possible wage requirements with TWC documentation |
| 14 | Schedules A1, A2, B, C and D completed and signed Economic Impact <i>(if applicable)</i> |
| 15 | Economic Impact Analysis, other payments made in the state or other economic information <i>(if applicable)</i> |
| 16 | <p>Description of Reinvestment or Enterprise Zone, including:</p> <ul style="list-style-type: none"> a) evidence that the area qualifies as a enterprise zone as defined by the Governor's Office b) legal description of reinvestment zone* c) order, resolution or ordinance establishing the reinvestment zone* d) guidelines and criteria for creating the zone* <p>* To be submitted with application or before date of final application approval by school board</p> |
| 17 | Signature and Certification page, signed and dated by Authorized School District Representative and Authorized Company Representative <i>(applicant)</i> |

TAB 2

Proof of Payment of Application Fee

Please find on the attached page, copy of the check for the \$75,000 application fee to Hillsboro Independent School District.

| INVOICE NUMBER | INVOICE DT | DESCRIPTION | GROSS AMOUNT | DISCOUNT | NET AMOUNT |
|------------------|------------|-----------------|--------------|----------|--------------|
| CHAPTER 313 APP | 033114 | APPLICATION FEE | \$ 75,000.00 | \$ 0.00 | \$ 75,000.00 |
| CHEQUE NO. 47976 | | TOTALS | \$ 75,000.00 | \$ 0.00 | \$ 75,000.00 |

WARNING - THIS CHECK IS PROTECTED BY SPECIAL SECURITY GUARD PROGRAM™ FEATURES

IKO IKO INDUSTRIES INC.

6 Denny Road, Suite 200
Wilmington DE
19809

U 47976

²⁻⁷/₇₁₀

| | |
|-------------|---------------|
| CHEQUE DATE | CHEQUE NUMBER |
| 040214 | 47976 |

| |
|---------------|
| CHEQUE AMOUNT |
| \$ 75,000.00 |

JP Morgan Chase
120 S. LaSalle St.
CHICAGO, IL 60603

SEVENTY-FIVE THOUSAND AND 00/100

PAY TO THE ORDER OF
HILLSBORO INDEPENDENT SCHOOL DISTRICT
121 E FRANKLIN STREET
HILLSBORO TX 76645



[Handwritten Signature]

THIS CHECK CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

TAB 3

Documentation of Combined Group membership under Texas Tax Code 171.0001(7), history of tax default, delinquencies and/or material litigation (if applicable)

IKO Southwest Inc. is currently in the process of registering with the Secretary of the State of Texas. They will not file their first Texas franchise tax return until May of 2015 (for calendar year 2014). IKO Southwest Inc. anticipates filing as a combined group on future Texas franchise tax returns, but it is unable to provide a list of the affiliated group at this time as no combined group exist and no returns have been filed at the time of this application.

TAB 4

Detailed Description of the Project

Provide a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.

IKO Southwest Inc (IKO) is requesting an appraised value limitation from Hillsboro Independent School District (ISD) for their proposed state-of-the-art world class factory to manufacture asphalt roofing shingles (the "Project"), in Hillsboro, TX. The proposed Project (this application) would be constructed within an Enterprise Zone established by the City of Hillsboro. Maps showing the location of the project, the tract of land and proposed improvements are included as TAB 11.

IKO and its parent company Goldis Enterprises Inc. are privately-owned companies that are part of the IKO group of companies. The IKO group of companies was founded in 1951, and has been owned and managed by the same family since that time. The IKO group of companies currently owns and operates three shingle manufacturing factories in the USA: in Wilmington, Delaware, in Kankakee, Illinois, and in Sumas, Washington. The company is just finishing the construction of a new factory in Sylacauga, Alabama, which will start operations in mid-2014. The Hillsboro Texas factory would be the company's fifth shingle manufacturing factory in the USA. In addition, IKO currently owns and operates four shingle manufacturing factories in Canada, and two in Europe.

IKO would invest approximately \$80 million in capital to construct the factory. In addition, IKO would invest between \$15 million and \$25 million in working capital at the factory (as detailed in Column C on Schedules A1 & A2), depending upon the time of year. This working capital would be primarily in the form of raw material inventories and finished goods inventories.

IKO is committed to employing at least 40 employees at the factory. These would all be new jobs for the City of Hillsboro and for the State of Texas. The factory would also create many indirect jobs in Texas. As well, IKO would create many direct and indirect jobs during the 24-month construction period for the factory. The factory is expected to operate for at least 30 years.

The proposed site of the factory is a 60-acre greenfield site near the eastern end of Old Dallas Highway North, County Road 4343, in the industrial park in the northern part of Hillsboro.

The factory would include the following facilities:

- The main manufacturing building, would be approximately 110,000 square feet in size. This building would house the main production and packaging line. It would also contain:
 - o Warehouse space for raw materials
 - o 18 large silos for raw materials

 - o Tanks, heaters, blenders, and other equipment to prepare the raw materials for use on the main production line

- Large amounts of piping and many pumps, conveyor belts and bucket elevators to convey raw materials from the storage and preparation areas to the main production line
- Maintenance shops and store-rooms for spare parts
- Control room and laboratory
- Facilities to receive, store, and prepare asphalt for use in the factory
- Facilities to receive, store, and prepare limestone for use in the factory
- A warehouse for finished goods, which would be approximately 100,000 square feet in size
- An office building about 4,000 square feet in size, which would include an employee training room, locker room and lunchroom
- Five railroad spurs to bring in raw materials and ship out finished goods
- Roadways, truck loading and unloading areas, truck weigh-scales, and parking lots

IKO would start construction of the factory in the fourth quarter of 2014. Construction would take 2 years, and the factory would start operations in the fourth quarter of 2016.

TAB 5

Documentation to assist in determining if limitation is a determining factor.

IKO Southwest Inc (IKO) and its parent company Goldis Enterprises Inc. are privately-owned companies that are part of the IKO group of companies. Founded in 1951, IKO owns and operates three other asphalt shingle manufacturing plants in the US, four in Canada, and two in Europe. IKO is actively seeking to expand their market share in the US by developing and constructing this project in Hillsboro, TX. IKO is also considering, and has received offers from the State of Oklahoma to locate this proposed facility in that state.

“The State of Oklahoma, Choctaw County, and the City of Hugo have offered extensive incentives to IKO to build its new factory in the City of Hugo. These incentives include:

- property tax abatements
- a cash rebate of a portion of the company’s payroll for a period of ten years
- exemption of sales/use taxes for machinery, equipment, raw materials, and energy used in manufacturing
- reimbursement of sales/use tax paid on construction materials
- training and recruitment incentives
- extensive investment in infrastructure for the factory, including public roads, private roads on the factory site, rail spur with switches and crossing, water line, sewer line, site preparation, and engineering

The total value of all the state, county, and city incentives is approximately \$18 million.”

IKO Southwest Inc has the ability to invest, locate and develop new (asphalt roofing shingle) manufacturing factories in numerous locations throughout the United States, Canada, and Europe.

TAB 6

Description of how project is located in more than one district, including list of percentage in each district and, if determined to be a single unified project, documentation from the Office of the Governor (if applicable)

- | | |
|---------------------------------|--------|
| 1) Hill County | - 100% |
| 2) City of Hillsboro | - 100% |
| 3) Hillsboro ISD | - 100% |
| 4) Hill Junior College District | - 100% |

TAB 7

Description of Qualified Investment

IKO Southwest Inc plans to construct a factory to manufacture asphalt roofing shingles.

This application covers all qualified property within Hillsboro ISD necessary for the commercial operations of the proposed manufacturing facility described in Tab 4. Qualified property includes, but is not limited to real estate, site preparation, roads and paving, office, warehouse, and manufacturing buildings, silos, storage facilities, rail spur and rail car loading and unloading facilities, truck loading and unloading facilities, docks, scales, pumps piping, tanks heaters, blenders and related production equipment, conveyors and elevators, control rooms, and shops and all related and necessary facilities and equipment for the manufacturing of roofing materials; including but not limited to:

- 110' and 90' diameter asphalt storage tanks
- Asphalt unloading system from trains
- 2 asphalt flux storage tanks
- 6 asphalt coating storage tanks
- 2 oxidizer tanks
- Knock-out tank
- Incinerator
- 2 Oxidizer air blowers
- F.C. tank
- 3 Hot oil heaters
- 1 steam heat exchanger
- Hot oil expansion tank
- Primary transformers
- Emergency generator
- 1-2 Limestone Pulveriser systems
- Filler storage silo
- 2 Granule unloading systems from trains
- Granule unloading elevator
- 17 granule storage silos
- 7 dust collectors
- Filler heater
- Main production equipment:
 - Coating preheater
 - 2 blend elevators
 - HL elevator
 - Fiesta elevator
 - BS elevator
 - Blend reclaim elevator
 - Filler mixer

- Top Surge tank
- Bottom surge tank
- Unwind stand
- DMA accumulator
- Coater
- Slating section
- Press section
- Cooling section
- Finish product loopier
- Carry over section
- 3-tab section
- Laminator section
- Slitter section
- Cut to length section
- Take off section
- Catchers section
- Hi lug section
- 2 Packaging ends
- 2 Arpacs
- 2 SBS mixing tanks
- 2 SBS storage tanks
- Machine shop equipment
- Parts storage systems
- Pallet dispensing systems
- Water storage and purifier systems
- Compressed air systems
- 6 Mist Eliminators
 - 1 large for Shingle Line
 - 3 small for Laminator/Adhesive Mixing and Storage
 - 2 small for Asphalt Storage Tanks

The map in TAB 11 shows the proposed project area with the preliminary improvement locations. The exact placement of these buildings and manufacturing equipment is subject to ongoing planning, soil studies, and engineering and will be determined before construction begins.

TAB 8

Description of Qualified Property

(See Tab 7)

TAB 9

Description of Land

IKO currently has an option to purchase land, but at this time has not purchased any land. The three land tracts described in this tab represent the land they would likely acquire as their proposed plant site.

SZURGOT & PEEDE LAND SURVEYORS, LTD

125 N. COVINGTON STREET, P.O. BOX 533

HILLSBORO, TEXAS 76645

PHONE: (254) 582-3231

FAX: (254) 582-3234

LEGAL DESCRIPTION

58.91 Acres

In the

Benjamin Sanders Survey, Abstract No. 836

City of Hillsboro, Hill County, Texas

All that certain tract or parcel of land located in the Benjamin Sanders Survey, Abstract No. 836, City of Hillsboro, Hill County, Texas, and being a part of a called 94.72 acre tract of land (Tract A) conveyed by Welca Jean Farr and William Ray Allen to Lee Roy Jordan, D/B/A as Lee Roy Jordan Interests, dated August 27, 1997, and being recorded in Volume 944, Page 192, of the Official Public Records of Hill County, Texas, and being more particularly described as follows:

BEGINNING at a mag-nail found in Old Highway No. 77 (Hill County Road 4343), called to be in the northerly line of said Benjamin Sanders Survey and the southerly line of the Ewen Cameron Survey, Abstract No. 131 and being the northwest corner of a tract of land conveyed to Percy Lee Curtis (First Tract) by deed recorded in Volume 346, Page 214, of the Deed Records of Hill County, Texas, and being the northeast corner of said 94.72 acre tract;

THENCE South 30 degrees 54 minutes 07 seconds East (Directional Control Line), along the common line between said Curtis tract and said 94.72 acre tract, for a distance of 1599.85 feet to a 5/8" steel rebar found at a corner on the westerly line of Interstate Highway No. 35 (variable width right-of-way), being the most easterly northeast corner of said 94.72 acre tract;

THENCE South 03 degrees 57 minutes 41 seconds West, along the westerly line of said Interstate Highway No. 35, for a distance of 620.22 feet to a brass TXT-DOT monument found at a corner on the northerly line of the old SF&L Railway (100 foot right-of-way) that is conveyed to the City of Hillsboro by Quitclaim Deed recorded in Volume 912, Page 359, of the Official Public Records of Hill County, Texas, and being the southeast corner of said 94.72 acre tract;

THENCE South 79 degrees 25 minutes 53 seconds West, along the common line between said Railway tract and said 94.72 acre tract, for a distance of 968.58 feet to a 1/2" steel rebar set at a corner, being the southeast corner of Lot 4, Block 1, of Lee Roy Jordan Industrial Park, an addition to the City of Hillsboro according to the plat recorded in Slide 197-A, of the Plat Records of Hill County, Texas, and being in the southerly line of said 94.72 acre tract and from which a 1/2" steel rebar found at the southwest corner of said 94.72 acre tract bears South 79 degrees 25 minutes 53 seconds West at a distance of 1202.75 feet;

THENCE North 28 degrees 55 minutes 01 seconds West, along the easterly line of said Lot 4, for a distance of 593.98 feet to a 5/8" steel rebar found at a corner, being the northeast corner of said Lot 4;

THENCE South 59 degrees 39 minutes 48 seconds West, along the northerly line of said Lot 4, passing the southeast corner of a tract of land described as Easement #1 recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas, continuing and passing the northeasterly corner of a tract of land described as Easement #2 recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas, continuing in all for a total distance of 187.87 feet to a 5/8" steel rebar found at a corner on the northerly line of said Lot 4, being the southeast corner of Lot 3, of said Block 1, the southwest corner of said Easement #1 and being in a curve to the left having a radius of 399.57 feet;

THENCE in a northwesterly direction along said curve to the left, for an arc distance of 35.63 feet and having a chord bearing of North 29 degrees 56 minutes 26 seconds West and a chord distance of 35.62 feet to a 5/8" steel rebar found at a corner at the end of said curve;

THENCE North 29 degrees 40 minutes 05 seconds West, along the easterly line of said Lot 3 and the westerly line of said Easement #1, for a distance of 669.02 feet to an "X" cut in concrete set at a corner on the southerly line of Lot 2, of said Block 1, and being the northwest corner of said Easement #1;

THENCE North 61 degrees 29 minutes 02 seconds East, along the southerly line of said Lot 2 and the northerly line of said Easement #1, passing the southeast corner of said Lot 2, continuing in all for a total distance of 82.30 feet to a 5/8" steel rebar found at a corner, being the northeast corner of said Easement #1, and the southeast corner of the proposed Replat of Lot 2;

THENCE North 30 degrees 18 minutes 31 seconds West, partially along a fence line and the easterly line of said proposed Replat of Lot 2, at 437.02 feet passing an "X" cut found in a concrete flume for the northeast corner of said proposed Replat of Lot 2 and the southerly line of the aforementioned Old Highway No. 77, continuing in all for a total distance of 487.70 feet to a mag-nail set in said Old Highway No. 77 and the northerly line of the aforementioned 94.72 acre tract;

THENCE North 59 degrees 36 minutes 59 seconds East, along said Old Highway No. 77 and the northerly line of said 94.72 acre tract, for a distance of 1327.81 feet to the point of beginning, and containing 58.91 acres of land, of which approximately 1.55 acres of land lies within said Old Highway No. 77, as surveyed by Szurgot & Peede Land Surveyors, LTD., in March and April of 2013.

Bears for this survey are based on Texas State Plain North Central Zone Coordinates.

SZURGOT & PEEDE LAND SURVEYORS, LTD

125 N. COVINGTON STREET, P.O. BOX 533
HILLSBORO, TEXAS 76645
PHONE: (254) 582-3231
FAX: (254) 582-3234

LEGAL DESCRIPTION

2.43 Acres

In the

Benjamin Sanders Survey, Abstract No. 836

City of Hillsboro, Hill County, Texas

All that certain tract or parcel of land located in the Benjamin Sanders Survey, Abstract No. 836, City of Hillsboro, Hill County, Texas, and being a part of Lot 4, Block 1, of Lee Roy Jordan Industrial Park, an addition to the City of Hillsboro, Hill County, Texas, according to the plat recorded in Slide 197-A, of the Plat Records of Hill County, Texas, and being more particularly described as follows:

BEGINNING at a 1/2" steel rebar set at a corner on the northerly line of the old SF&L Railway (100 foot right-of-way) that is conveyed to the City of Hillsboro by Quitclaim Deed recorded in Volume 912, Page 359, of the Official Public Records of Hill County, Texas, from which a 1/2" steel rebar found at the southeast corner of said Lot 4 bears North 79 degrees 25 minutes 53 seconds East at a distance of 87.69 feet;

THENCE South 79 degrees 25 minutes 53 seconds West, along the northerly line of said Railway tract and the southerly line of said Lot 4, for a distance of 492.03 feet to a 1/2" steel rebar set at a corner on the easterly side of a tract of land described as Easement #2 in a deed recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas, and being in a curve to the left, having a radius of 507.50 feet;

THENCE in a northeasterly direction along said curve to the left, for an arc distance of 609.30 feet and having a chord bearing of North 15 degrees 44 minutes 26 seconds East and a chord distance of 573.36 feet to a 1/2" steel rebar set at a corner on the northerly line of said Lot 4, and the southerly line of a tract of land described as Easement #1, recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas, and from which a 5/8" steel rebar found at the southeast corner of Lot 3, of said Block 1 bears South 59 degrees 39 minutes 48 seconds West at a distance of 40.58 feet;

THENCE North 59 degrees 39 minutes 48 seconds East, along the northerly line of said Lot 4, for a distance of 49.91 feet to a 1/2" steel rebar set at a corner from which a 5/8" steel rebar found at the southeast corner of said Lot 4 bears North 59 degrees 39 minutes 48 seconds East at a distance of 97.38 feet;

THENCE South 30 degrees 21 minutes 04 seconds East, partially along fence line, for a distance of 564.14 feet to the point of beginning, and containing 2.43 acres of land, as surveyed by Szurgot & Peede Land Surveyors, LTD., in March and April of 2013.

Bears for this survey are based on Texas State Plain North Central Zone Coordinates.

SZURGOT & PEEDE LAND SURVEYORS, LTD

125 N. COVINGTON STREET, P.O. BOX 533
HILLSBORO, TEXAS 76645
PHONE: (254) 582-3231
FAX: (254) 582-3234

LEGAL DESCRIPTION

1.20 Acres

In the

Benjamin Sanders Survey, Abstract No. 836

City of Hillsboro, Hill County, Texas

All that certain tract or parcel of land located in the Benjamin Sanders Survey, Abstract No. 836, City of Hillsboro, Hill County, Texas, and being a part of Lot 4, Block 1, of Lee Roy Jordan Industrial Park, an addition to the City of Hillsboro, Hill County, Texas, according to the plat recorded in Slide 197-A, of the Plat Records of Hill County, Texas, and being more particularly described as follows:

BEGINNING at a 1/2" steel rebar found at a corner on the northerly line of the old SF&L Railway (100 foot right-of-way) that is conveyed to the City of Hillsboro by Quitclaim Deed recorded in Volume 912, Page 359, of the Official Public Records of Hill County, Texas, being the southeast corner of said Lot 4 and the southwest corner of the remainder tract (Tract A) conveyed to Lee Roy Jordan by deed recorded in Volume 944, Page 192, of the Official Public Records of Hill County, Texas;

THENCE South 79 degrees 25 minutes 53 seconds West, along the northerly line of said Railway tract and the southerly line of said Lot 4, for a distance of 87.69 feet to a 1/2" steel rebar set at a corner;

THENCE North 30 degrees 21 minutes 04 seconds West, partially along a fence line, for a distance of 564.14 feet to a 1/2" steel rebar set at a corner on the northerly line of said Lot 4, being the southeast corner of an easement tract, described as Easement #1, recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas;

THENCE North 59 degrees 39 minutes 48 seconds East, along the northerly line of said Lot 4, for a distance of 97.38 feet to a 5/8" steel rebar found at a corner, being the northeast corner of said Lot 4;

THENCE South 28 degrees 55 minutes 01 seconds East, along the easterly line of said Lot 4, for a distance of 593.98 feet to the point of beginning, and containing 1.20 acres of land, as surveyed by Szurgot & Peede Land Surveyors, LTD., in March and April of 2013.

Bears for this survey are based on Texas State Plain North Central Zone Coordinates.

Donny Peede, Texas RPLS No. 5137
Job No. 030913A DRP

BENJAMIN SANDERS SURVEY
ABSTRACT No. 836

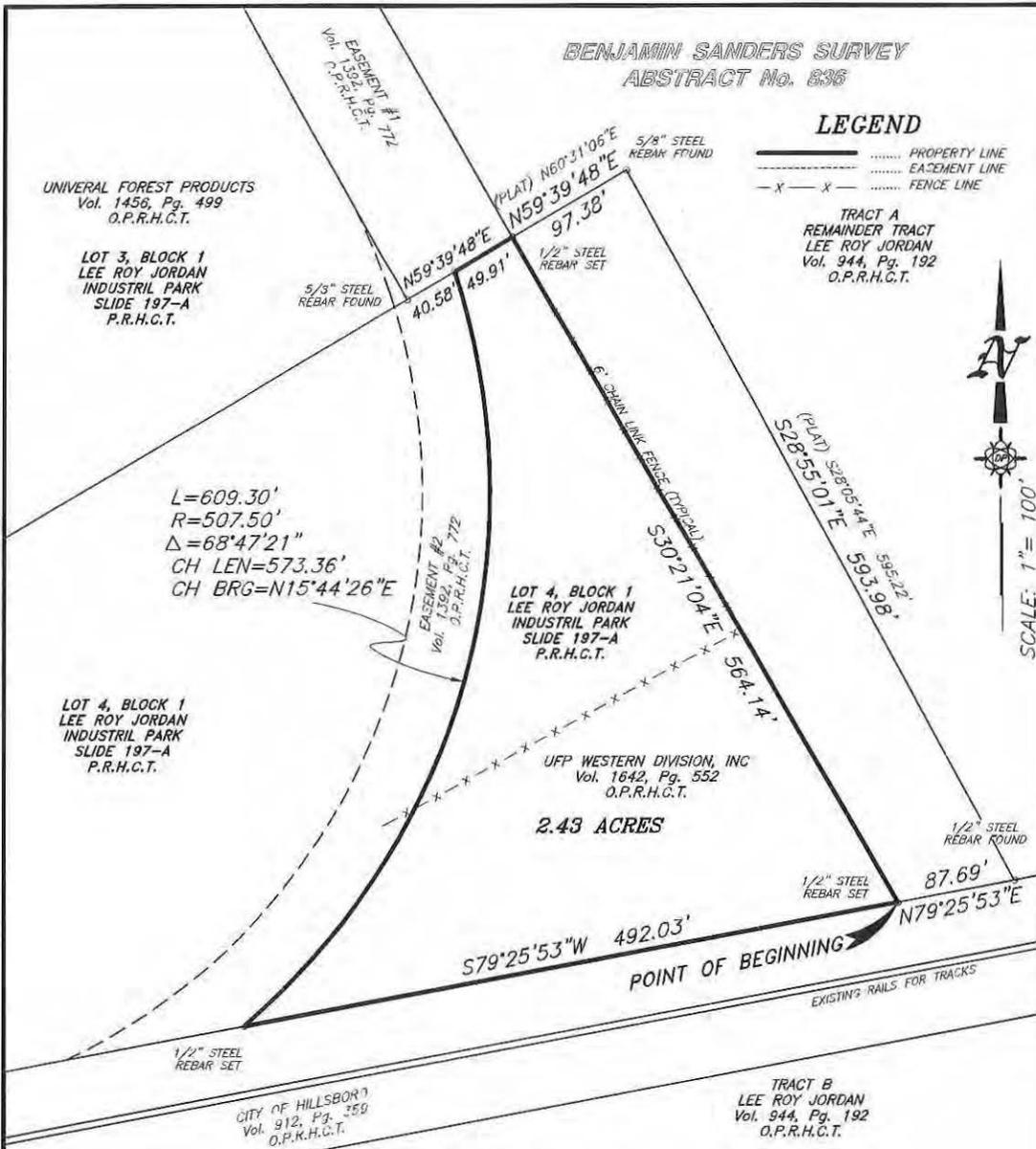
LEGEND

- PROPERTY LINE
- EASEMENT LINE
- x - x - FENCE LINE

TRACT A
REMAINDER TRACT
LEE ROY JORDAN
Vol. 944, Pg. 192
O.P.R.H.C.T.



SCALE: 1" = 100'



$L=609.30'$
 $R=507.50'$
 $\Delta=68^{\circ}47'21''$
 $CH\ LEN=573.36'$
 $CH\ BRG=N15^{\circ}44'26''E$

2.43 ACRES

**SURVEY SHOWING
2.43 ACRES
in the
BENJAMIN SANDERS SURVEY, ABSTRACT No. 836
CITY OF HILLSBORO, HILL COUNTY, TEXAS**

SEE ATTCHED FIELD NOTES

JOB# 030913B DRP

SURVEYOR'S DECLARATION

This plat represents an actual survey made on the ground under my supervision in March & April of 2013, and is correct to the best of my knowledge and belief.

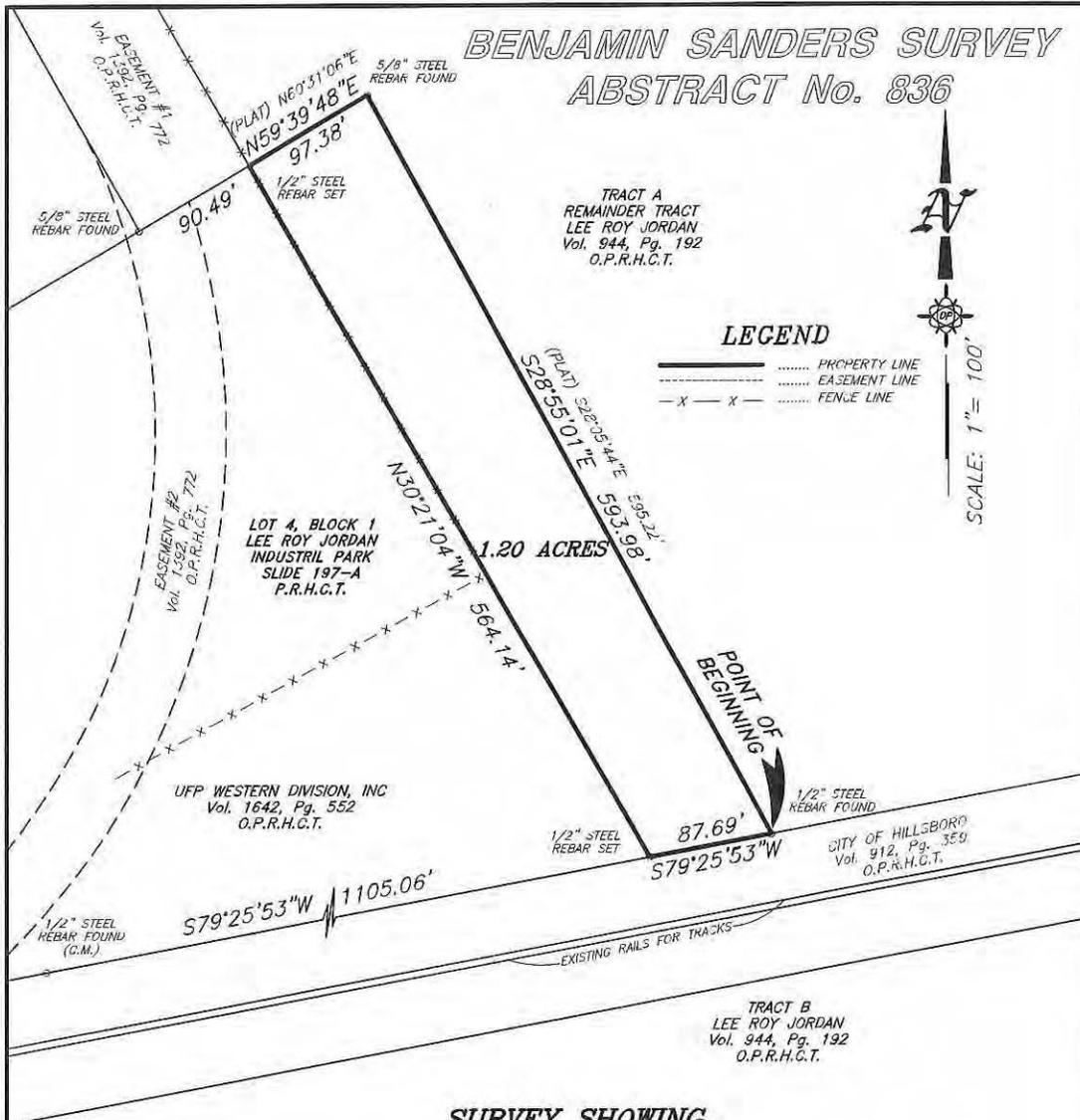
Donny Peede, KPLS No. 5137
SURVEY REVISED MARCH 28, 2014.

BEARINGS BASED ON TEXAS STATE PLAIN NORTH CENTRAL ZONE.

**SZURGOT & PEEDE
LAND SURVEYORS, LTD**

125 N. COVINGTON STREET
P.O. BOX 533
HILLSBORO, TEXAS 76645
PHONE: (254) 582-3231
FAX: (254) 582-3234

**BENJAMIN SANDERS SURVEY
ABSTRACT No. 836**



**SURVEY SHOWING
1.20 ACRES
in the
BENJAMIN SANDERS SURVEY, ABSTRACT No. 836
CITY OF HILLSBORO, HILL COUNTY, TEXAS**

SEE ATTCHED FIELD NOTES

JOB# 030913A DRP

SURVEYOR'S DECLARATION

This plat represents an actual survey made on the ground under my supervision in March & April of 2013, and is correct to the best of my knowledge and belief.

Danny Peede, RPLS No. 5137

SURVEY REVISED MARCH 28, 2014.

BEARINGS BASED ON TEXAS STATE PLAIN NORTH CENTRAL ZONE.

**SZURGOT & PEEDE
LAND SURVEYORS, LTD**

125 N. COVINGTON STREET
P.O. BOX 533
HILLSBORO, TEXAS 76645
PHONE: (254) 582-3231
FAX: (254) 582-3234

Hill CAD

Property Search Results > 240094 JORDAN MARY B for Year 2013

Property

Account

Property ID: 240094 Legal Description: B SANDERS A-836 TR 1 59.63 AC
 Geographic ID: 11610-83600-00010-000000 Agent Code:
 Type: Real
 Property Use Code:
 Property Use Description:

Location

Address: INDUSTRIAL LP Mapsco:
 HILLSBORO, TX 76645
 Neighborhood: I-35 FRONTAGE (CITY HILLSBORO) Map ID:
 Neighborhood CD: 1616

Owner

Name: JORDAN MARY B Owner ID: 2317411
 Mailing Address: 7710 CARUTH BLVD % Ownership: 100.0000000000%
 DALLAS, TX 75225

Exemptions:

Values

| | | | |
|---------------------------------------|---|-----------|-----------------------|
| (+) Improvement Homesite Value: | + | \$0 | |
| (+) Improvement Non-Homesite Value: | + | \$0 | |
| (+) Land Homesite Value: | + | \$0 | |
| (+) Land Non-Homesite Value: | + | \$2,140 | Ag / Timber Use Value |
| (+) Agricultural Market Valuation: | + | \$132,980 | \$4,910 |
| (+) Timber Market Valuation: | + | \$0 | \$0 |
| <hr/> | | | |
| (=) Market Value: | = | \$135,120 | |
| (-) Ag or Timber Use Value Reduction: | - | \$128,070 | |
| <hr/> | | | |
| (=) Appraised Value: | = | \$7,050 | |
| (-) HS Cap: | - | \$0 | |
| <hr/> | | | |
| (=) Assessed Value: | = | \$7,050 | |

Taxing Jurisdiction

Owner: JORDAN MARY B
 % Ownership: 100.0000000000%
 Total Value: \$135,120

| Entity | Description | Tax Rate | Appraised Value | Taxable Value | Estimated Tax |
|--------|--------------------------------|----------|-----------------|---------------|---------------|
| CAD | HILL COUNTY APPRAISAL DISTRICT | 0.000000 | \$7,050 | \$7,050 | \$0.00 |
| CHI | CITY OF HILLSBORO | 0.818331 | \$7,050 | \$7,050 | \$57.69 |
| GHI | HILL COUNTY | 0.466088 | \$7,050 | \$7,050 | \$32.86 |
| JCH | HILL COLLEGE | 0.091514 | \$7,050 | \$7,050 | \$6.45 |

Hill CAD

IKO is currently in discussions to acquire 3.63 acres of this parcel out of the southeast corner. There are no improvements on the 3.63 acres

Property Search Results > 240097

Year 2013

Property

Account

Property ID: 240097 Legal Description: LEE ROY JORDAN IND ADDN BLK 1 LT 4 10.169 AC
 Geographic ID: 11612-10600-00010-004000 Agent Code: ID:2302480
 Type: Real
 Property Use Code:
 Property Use Description:

Location

Address: 55 LEE ROY JORDAN DR Mapsco:
 HILLSBORO, TX 76645
 Neighborhood: HILLSBORO CITY Map ID:
 Neighborhood CD: 1600

Owner

Owner ID: 2318058
 % Ownership: 100.0000000000%

Exemptions:

Values

| | | | |
|---------------------------------------|---|-----------|-----------------------|
| (+) Improvement Homesite Value: | + | \$0 | |
| (+) Improvement Non-Homesite Value: | + | \$803,130 | |
| (+) Land Homesite Value: | + | \$0 | |
| (+) Land Non-Homesite Value: | + | \$53,490 | Ag / Timber Use Value |
| (+) Agricultural Market Valuation: | + | \$0 | \$0 |
| (+) Timber Market Valuation: | + | \$0 | \$0 |
| <hr/> | | | |
| (=) Market Value: | = | \$856,620 | |
| (-) Ag or Timber Use Value Reduction: | - | \$0 | |
| <hr/> | | | |
| (=) Appraised Value: | = | \$856,620 | |
| (-) HS Cap: | - | \$0 | |
| <hr/> | | | |
| (=) Assessed Value: | = | \$856,620 | |

Taxing Jurisdiction

Owner: UFP WESTERN DIVISION INC
 % Ownership: 100.0000000000%
 Total Value: \$856,620

| Entity | Description | Tax Rate | Appraised Value | Taxable Value | Estimated Tax |
|--------|--------------------------------|----------|-----------------|---------------|---------------|
| CAD | HILL COUNTY APPRAISAL DISTRICT | 0.000000 | \$856,620 | \$856,620 | \$0.00 |
| CHI | CITY OF HILLSBORO | 0.818331 | \$856,620 | \$856,620 | \$7,009.99 |
| GHI | HILL COUNTY | 0.466088 | \$856,620 | \$856,620 | \$3,992.61 |
| JCH | HILL COLLEGE | 0.091514 | \$856,620 | \$856,620 | \$783.93 |
| RDL | LATERAL ROAD | 0.075224 | \$856,620 | \$856,620 | \$644.38 |

TAB 10

Description of all property not eligible to become qualified property (if applicable)

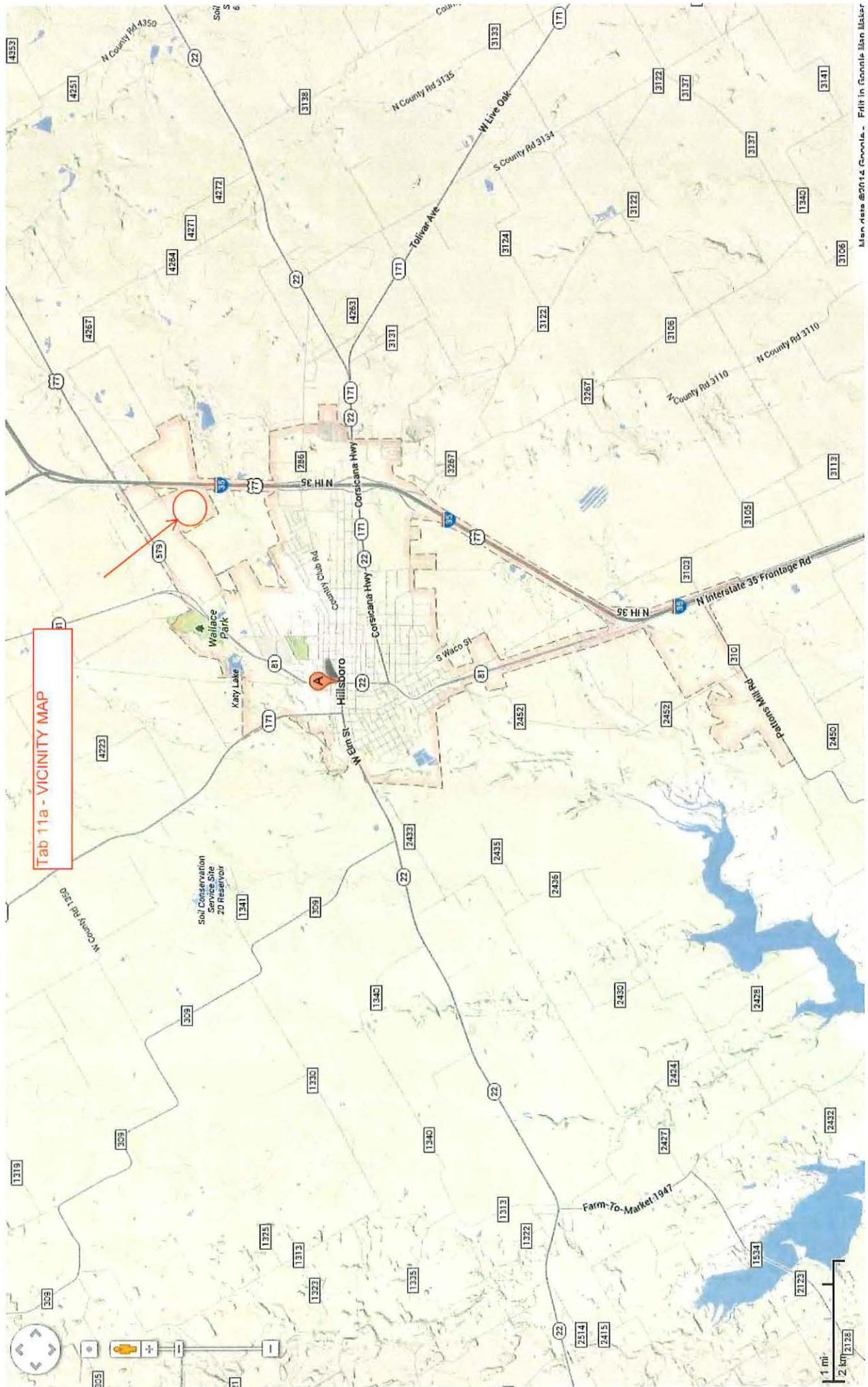
None, not applicable

TAB 11

Maps that clearly show:

- a) Project vicinity
- b) Qualified investment including location of new building or new improvements
- c) Qualified property including location of new building or new improvements
- d) Existing property THERE IS NO EXISTING PROPERTY
- e) Land location within vicinity map
- f) Reinvestment or Enterprise Zone within vicinity map, showing the actual or proposed boundaries and size

11 d) THERE IS NO EXISTING PROPERTY

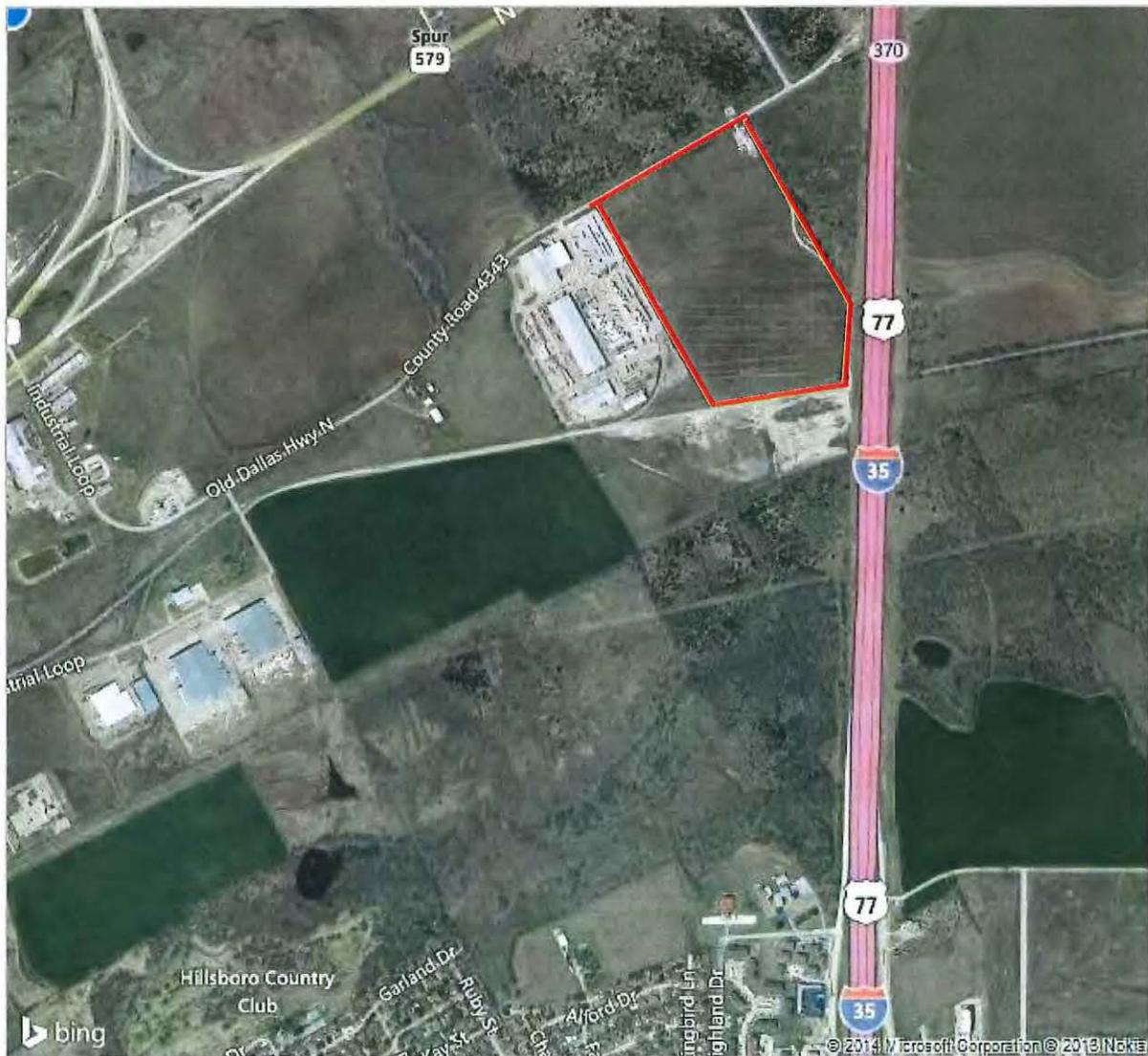
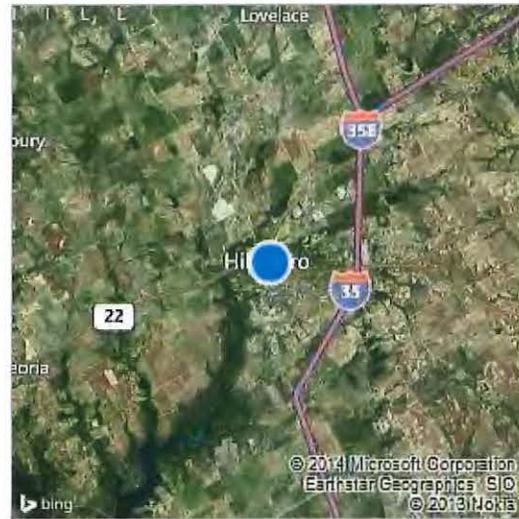


Tab 11a - VICINITY MAP

bing Maps

Hillsboro, TX

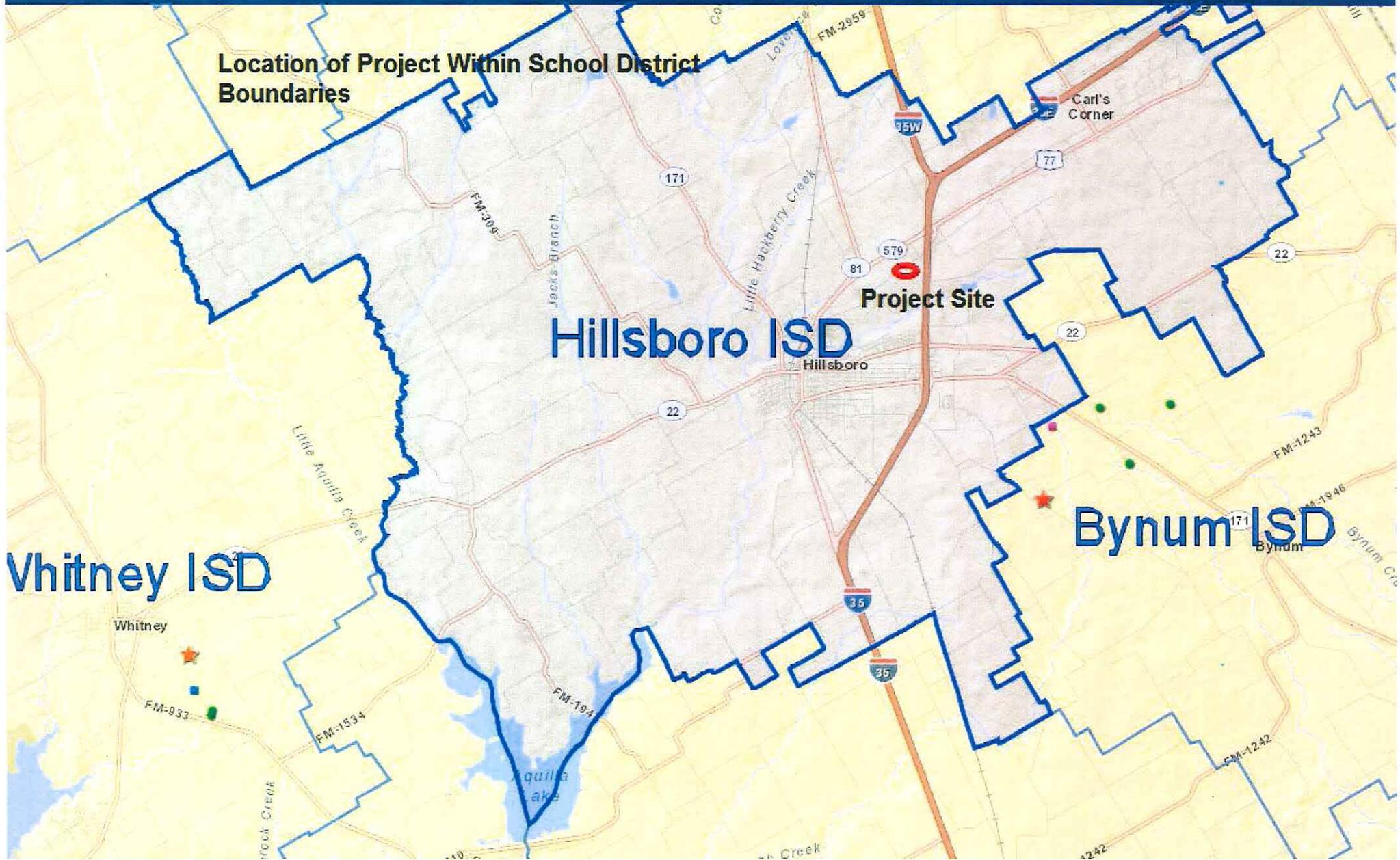
The property that IKO Southwest Inc. has an option to purchase is outlined in red.



 Bird's eye view maps can't be printed, so another map view has been substituted.

Texas School District Locator

Location of Project Within School District Boundaries



TAB 12

Request for Waiver of Job Creation Requirement and supporting information (if applicable)

Not applicable. There is no job waiver request.

TAB 13

Calculation of three possible wage requirements with TWC documentation

- Hill County average weekly wage for all jobs (all industries)
- Hill County average weekly wage for all jobs (manufacturing)
- See attached Council of Governments Regional Wage Calculation and Documentation

IKO Southwest Inc.
TAB 13 TO CHAPTER 313 APPLICATION

HILL COUNTY
CHAPTER 313 WAGE CALCULATION - ALL JOBS - ALL INDUSTRIES

| QUARTER | YEAR | AVG WEEKLY WAGES* | ANNUALIZED |
|---------|------|-------------------|------------|
| FOURTH | 2012 | \$ 626 | \$ 32,552 |
| FIRST | 2013 | \$ 682 | \$ 35,464 |
| SECOND | 2013 | \$ 671 | \$ 34,892 |
| THIRD | 2013 | \$ 675 | \$ 35,100 |
| AVERAGE | | \$ 664 | \$ 34,502 |

HILL COUNTY
CHAPTER 313 WAGE CALCULATION - MANUFACTURING JOBS

| QUARTER | YEAR | AVG WEEKLY WAGES* | ANNUALIZED |
|---------|------|-------------------|------------|
| FOURTH | 2012 | \$ 779 | \$ 40,508 |
| FIRST | 2013 | \$ 712 | \$ 37,024 |
| SECOND | 2013 | \$ 746 | \$ 38,792 |
| THIRD | 2013 | \$ 693 | \$ 36,036 |
| AVERAGE | | \$ 733 | \$ 38,090 |
| X | | 110% | 110% |
| | | \$ 806 | \$ 41,899 |

CHAPTER 313 WAGE CALCULATION - REGIONAL WAGE RATE

| YEAR | AVG WEEKLY WAGES* | ANNUALIZED |
|------|-------------------|------------|
| 2012 | \$ 763 | \$ 39,670 |
| X | 110% | 110% |
| | \$ 839 | \$ 43,637 |

* SEE ATTACHED TWC DOCUMENTATION

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

|  Year |  Period |  Area |  Ownership |  Division |  Level |  Ind Code |  Industry |  Avg Weekly Wages |
|--|--|--|---|--|---|--|---|--|
| 2013 | 1st Qtr | Hill County | Total All | 00 | 0 | 10 | Total, All Industries | \$682 |
| 2013 | 2nd Qtr | Hill County | Total All | 00 | 0 | 10 | Total, All Industries | \$671 |
| 2013 | 3rd Qtr | Hill County | Total All | 00 | 0 | 10 | Total, All Industries | \$675 |
| 2012 | 4th Qtr | Hill County | Total All | 00 | 0 | 10 | Total, All Industries | \$626 |

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

| Year | Period | Area | Ownership | Division | Level | Ind Code | Industry | Avg Weekly Wages |
|------|---------|-------------|-----------|----------|-------|----------|---------------|------------------|
| 2012 | 1st Qtr | Hill County | Private | 31 | 2 | 31-33 | Manufacturing | \$713 |
| 2013 | 1st Qtr | Hill County | Private | 31 | 2 | 31-33 | Manufacturing | \$712 |
| 2012 | 2nd Qtr | Hill County | Private | 31 | 2 | 31-33 | Manufacturing | \$755 |
| 2013 | 2nd Qtr | Hill County | Private | 31 | 2 | 31-33 | Manufacturing | \$746 |
| 2012 | 3rd Qtr | Hill County | Private | 31 | 2 | 31-33 | Manufacturing | \$730 |
| 2013 | 3rd Qtr | Hill County | Private | 31 | 2 | 31-33 | Manufacturing | \$693 |
| 2012 | 4th Qtr | Hill County | Private | 31 | 2 | 31-33 | Manufacturing | \$779 |

**2012 Manufacturing Wages by Council of Government Region
Wages for All Occupations**

| COG | Wages | |
|---|----------------|-----------------|
| | Hourly | Annual |
| Texas | \$23.56 | \$48,996 |
| 1. Panhandle Regional Planning Commission | \$20.12 | \$41,850 |
| 2. South Plains Association of Governments | \$16.18 | \$33,662 |
| 3. NORTEX Regional Planning Commission | \$17.83 | \$37,076 |
| 4. North Central Texas Council of Governments | \$24.68 | \$51,333 |
| 5. Ark-Tex Council of Governments | \$16.84 | \$35,032 |
| 6. East Texas Council of Governments | \$19.61 | \$40,797 |
| 7. West Central Texas Council of Governments | \$18.24 | \$37,941 |
| 8. Rio Grande Council of Governments | \$16.17 | \$33,631 |
| 9. Permian Basin Regional Planning Commission | \$21.93 | \$45,624 |
| 10. Concho Valley Council of Governments | \$16.33 | \$33,956 |
| 11. Heart of Texas Council of Governments | \$19.07 | \$39,670 |
| 12. Capital Area Council of Governments | \$26.03 | \$54,146 |
| 13. Brazos Valley Council of Governments | \$16.55 | \$34,424 |
| 14. Deep East Texas Council of Governments | \$16.20 | \$33,698 |
| 15. South East Texas Regional Planning Commission | \$29.38 | \$61,118 |
| 16. Houston-Galveston Area Council | \$26.59 | \$55,317 |
| 17. Golden Crescent Regional Planning Commission | \$21.03 | \$43,742 |
| 18. Alamo Area Council of Governments | \$18.40 | \$38,280 |
| 19. South Texas Development Council | \$13.54 | \$28,170 |
| 20. Coastal Bend Council of Governments | \$22.97 | \$47,786 |
| 21. Lower Rio Grande Valley Development Council | \$16.33 | \$33,961 |
| 22. Texoma Council of Governments | \$22.57 | \$46,949 |
| 23. Central Texas Council of Governments | \$17.16 | \$35,689 |
| 24. Middle Rio Grande Development Council | \$18.93 | \$39,380 |

Source: Texas Occupational Employment and Wages

Data published: July 2013

Data published annually, next update will be July 31, 2014

Note: Data is not supported by the Bureau of Labor Statistics (BLS).

Wage data is produced from Texas OES data, and is not to be compared to BLS estimates.

Data intended for TAC 313 purposes only.

TAB 14

Schedules A1, A2, B, C and D completed and signed Economic Impact (if applicable)

See attached Schedules A1, A2, B, C and D

Schedule A1: Total Investment for Economic Impact (through the Qualifying Time Period)

Applicant Name **IKO Southwest Inc**
 ISD Name **HILLSBORO**

Form 50-296A
 Revised Feb 2014

| PROPERTY INVESTMENT AMOUNTS | | | | | | | | |
|--|------|-------------------------|---|---|---|---|---|---|
| (Estimated Investment in each year. Do not put cumulative totals.) | | | | | | | | |
| | | | | Column A | Column B | Column C | Column D | Column E |
| | Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year below) YYYY | New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property | New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property | Other new investment made during this year that will not become Qualified Property [SEE NOTE] | Other new investment made during this year that may become Qualified Property [SEE NOTE] | Total Investment (Sum of Columns A+B+C+D) |
| Investment made before filing complete application with district | - | 2014-2015 | 2014 | Not eligible to become Qualified Property | | | [The only other investment made before filing complete application with district that may become Qualified Property is land.] | |
| Investment made after filing complete application with district, but before final board approval of application | | | | | | 500,000 | | |
| | | | | | | | | |
| Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period | | 2014-2015 | 2014 | 0 | 0 | 0 | 0 | - |
| Complete tax years of qualifying time period | QTP1 | 2015-2016 | 2015 | 30,000,000 | 18,000,000 | 0 | 1,500,000 | 49,500,000 |
| | QTP2 | 2016-2017 | 2016 | 30,000,000 | 0 | 23,450,000 | 0 | 53,450,000 |
| Total Investment through Qualifying Time Period [ENTER this row in Schedule A2] | | | | 60,000,000 | 18,000,000 | 23,450,000 | 2,000,000 | 102,950,000 |
| | | | | Enter amounts from TOTAL row above in Schedule A2 | | | | |
| Total Qualified Investment (sum of green cells) | | | | 78,000,000 | | | | |

For All Columns: List amount invested each year, not cumulative totals.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application. Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Total Investment: Add together each cell in a column and enter the sum in the blue total investment row. Enter the data from this row into the first row in Schedule A2.

Qualified Investment: For the green qualified investment cell, enter the sum of all the green-shaded cells.

Schedule A2: Total Investment for Economic Impact (including Qualified Property and other investments)

Applicant Name **IKO Southwest Inc**
 ISD Name **HILLSBORO**

Form 50-296A
 Revised Feb 2014

| PROPERTY INVESTMENT AMOUNTS | | | | | | | | |
|--|-----------|-------------------------|---|---|---|---|---|--|
| (Estimated investment in each year. Do not put cumulative totals.) | | | | | | | | |
| | Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year below) YYYY | Column A New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property | Column B New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property | Column C Other investment made during this year that will not become Qualified Property (SEE NOTE) | Column D Other investment made during this year that will become Qualified Property (SEE NOTE) | Column E Total Investment (A+B+C+D) |
| Total Investment from Schedule A1* | — | TOTALS FROM SCHEDULE A1 | | 60,000,000 | 18,000,000 | 23,450,000 | 2,000,000 | 103,450,000 |
| Enter amounts from TOTAL row in Schedule A1 in the row below | | | | | | | | |
| Each year prior to start of value limitation period** <small>insert as many rows as necessary</small> | 0 | 2014-2015 | 2014 | | | | 500,000 | 500,000 |
| | 0 | 2015-2016 | 2015 | 30,000,000 | 18,000,000 | - | - | 48,000,000 |
| | 0 | 2016-2017 | 2016 | 30,000,000 | - | 23,450,000 | 1,500,000 | 54,950,000 |
| Value limitation period*** | 1 | 2017-2018 | 2017 | | - | 4,000,000 | - | 4,000,000 |
| | 2 | 2018-2019 | 2018 | | - | 4,000,000 | - | 4,000,000 |
| | 3 | 2019-2020 | 2019 | - | - | 4,000,000 | - | 4,000,000 |
| | 4 | 2020-2021 | 2020 | - | - | 4,000,000 | - | 4,000,000 |
| | 5 | 2021-2022 | 2021 | - | - | 4,000,000 | - | 4,000,000 |
| | 6 | 2022-2023 | 2022 | - | - | 4,500,000 | - | 4,500,000 |
| | 7 | 2023-2024 | 2023 | - | - | 4,500,000 | - | 4,500,000 |
| | 8 | 2024-2025 | 2024 | - | - | 4,500,000 | - | 4,500,000 |
| | 9 | 2025-2026 | 2025 | - | - | 4,500,000 | - | 4,500,000 |
| 10 | 2026-2027 | 2026 | - | - | 4,500,000 | - | 4,500,000 | |
| Total Investment made through limitation | | | | 60,000,000 | 18,000,000 | 65,950,000 | 2,000,000 | 145,950,000 |
| Continue to maintain viable presence | 11 | 2027-2028 | 2027 | | | 5,000,000 | | 5,000,000 |
| | 12 | 2028-2029 | 2028 | | | 5,000,000 | | 5,000,000 |
| | 13 | 2029-2030 | 2029 | | | 5,000,000 | | 5,000,000 |
| | 14 | 2030-2031 | 2030 | | | 5,000,000 | | 5,000,000 |
| | 15 | 2031-2032 | 2031 | | | 5,000,000 | | 5,000,000 |
| Additional years for 25 year economic impact as required by 313.028(c)(1) | 16 | 2032-2033 | 2032 | | | 5,500,000 | | 5,500,000 |
| | 17 | 2033-2034 | 2033 | | | 5,500,000 | | 5,500,000 |
| | 18 | 2034-2035 | 2034 | | | 5,500,000 | | 5,500,000 |
| | 19 | 2035-2036 | 2035 | | | 5,500,000 | | 5,500,000 |
| | 20 | 2036-2037 | 2036 | | | 5,500,000 | | 5,500,000 |
| | 21 | 2037-2038 | 2037 | | | 6,000,000 | | 6,000,000 |
| | 22 | 2038-2039 | 2038 | | | 6,000,000 | | 6,000,000 |
| | 23 | 2039-2040 | 2039 | | | 6,000,000 | | 6,000,000 |
| | 24 | 2040-2041 | 2040 | | | 6,000,000 | | 6,000,000 |
| | 25 | 2041-2042 | 2041 | | | 6,000,000 | | 6,000,000 |

* All investments made through the qualifying time period are captured and totaled on Schedule A1 [blue box] and incorporated into this schedule in the first row.

** Only investment made during deferrals of the start of the limitation (after the end of qualifying time period but before the start of the Value Limitation Period) should be included in the "year prior to start of value limitation period" row(s). If the limitation starts at the end of the qualifying time period or the qualifying time period overlaps the limitation, no investment should be included on this line.

*** If your qualifying time period will overlap your value limitation period, do not also include investment made during the qualifying time period in years 1 and/or 2 of the value limitation period, depending on the overlap. Only include investments/years that were not captured on Schedule A1.

For All Columns: List amount invested each year, not cumulative totals. Only include investments in the remaining rows of Schedule A2 that were not captured on Schedule A1.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application.

Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Schedule B: Estimated Market And Taxable Value (of Qualified Property Only)

Applicant Name

IKO Southwest Inc

Form 50-296A

ISD Name

HILLSBORO

Revised Feb 2014

| | Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year) YYYY | Qualified Property | | | Estimated Taxable Value | | |
|--|------|----------------------------|---|-----------------------------------|---|--|---|---|---|
| | | | | Estimated Market Value of Land | Estimated Total Market Value of new buildings or other new improvements | Estimated Total Market Value of tangible personal property in the new buildings or "in or on the new improvements" | Market Value less any exemptions (such as pollution control) and before limitation | Final taxable value for I&S after all reductions | Final taxable value for M&O after all reductions |
| Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i> | 0 | 2014-2015 | 2014 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 2015-2016 | 2015 | 500,000 | - | - | 500,000 | 500,000 | 500,000 |
| | 0 | 2016-2017 | 2016 | 2,000,000 | 9,000,000 | 15,000,000 | 24,500,000 | 24,500,000 | 24,500,000 |
| Value Limitation Period | 1 | 2017-2018 | 2017 | 2,000,000 | 18,000,000 | 60,000,000 | 78,552,500 | 78,552,500 | 20,000,000 |
| | 2 | 2018-2019 | 2018 | 2,000,000 | 17,460,000 | 58,200,000 | 76,263,163 | 76,263,163 | 20,000,000 |
| | 3 | 2019-2020 | 2019 | 2,000,000 | 16,936,200 | 56,454,000 | 74,042,252 | 74,042,252 | 20,000,000 |
| | 4 | 2020-2021 | 2020 | 2,000,000 | 16,428,114 | 54,760,380 | 71,887,724 | 71,887,724 | 20,000,000 |
| | 5 | 2021-2022 | 2021 | 2,000,000 | 15,935,271 | 53,117,569 | 69,791,092 | 69,791,092 | 20,000,000 |
| | 6 | 2022-2023 | 2022 | 2,000,000 | 15,457,212 | 51,524,042 | 67,757,360 | 67,757,360 | 20,000,000 |
| | 7 | 2023-2024 | 2023 | 2,000,000 | 14,993,496 | 49,978,320 | 65,784,639 | 65,784,639 | 20,000,000 |
| | 8 | 2024-2025 | 2024 | 2,000,000 | 14,543,691 | 48,478,971 | 63,871,100 | 63,871,100 | 20,000,000 |
| | 9 | 2025-2026 | 2025 | 2,000,000 | 14,107,380 | 47,024,602 | 62,014,967 | 62,014,967 | 20,000,000 |
| Continue to maintain viable presence | 10 | 2026-2027 | 2026 | 2,000,000 | 13,684,159 | 45,613,864 | 60,214,518 | 60,214,518 | 20,000,000 |
| | 11 | 2027-2028 | 2027 | 2,000,000 | 13,273,634 | 44,245,448 | 58,468,082 | 58,468,082 | 58,468,082 |
| | 12 | 2028-2029 | 2028 | 2,000,000 | 12,875,425 | 42,918,084 | 56,774,040 | 56,774,040 | 56,774,040 |
| | 13 | 2029-2030 | 2029 | 2,000,000 | 12,489,162 | 41,630,542 | 55,130,818 | 55,130,818 | 55,130,818 |
| | 14 | 2030-2031 | 2030 | 2,000,000 | 12,114,488 | 40,381,625 | 53,536,894 | 53,536,894 | 53,536,894 |
| Additional years for 25 year economic impact as required by 313.026(c)(1) | 15 | 2031-2032 | 2031 | 2,000,000 | 11,751,053 | 39,170,177 | 51,990,787 | 51,990,787 | 51,990,787 |
| | 16 | 2032-2033 | 2032 | 2,000,000 | 11,398,521 | 37,995,071 | 50,491,063 | 50,491,063 | 50,491,063 |
| | 17 | 2033-2034 | 2033 | 2,000,000 | 11,056,566 | 36,855,219 | 49,036,332 | 49,036,332 | 49,036,332 |
| | 18 | 2034-2035 | 2034 | 2,000,000 | 10,724,869 | 35,749,563 | 47,625,242 | 47,625,242 | 47,625,242 |
| | 19 | 2035-2036 | 2035 | 2,000,000 | 10,403,123 | 34,677,076 | 46,256,484 | 46,256,484 | 46,256,484 |
| | 20 | 2036-2037 | 2036 | 2,000,000 | 10,091,029 | 33,636,763 | 44,928,790 | 44,928,790 | 44,928,790 |
| | 21 | 2037-2038 | 2037 | 2,000,000 | 9,788,298 | 32,627,661 | 43,640,926 | 43,640,926 | 43,640,926 |
| | 22 | 2038-2039 | 2038 | 2,000,000 | 9,494,649 | 31,648,831 | 42,391,698 | 42,391,698 | 42,391,698 |
| | 23 | 2039-2040 | 2039 | 2,000,000 | 9,209,810 | 30,699,366 | 41,179,947 | 41,179,947 | 41,179,947 |
| | 24 | 2040-2041 | 2040 | 2,000,000 | 8,933,515 | 29,778,385 | 40,004,549 | 40,004,549 | 40,004,549 |
| | 25 | 2041-2042 | 2041 | 2,000,000 | 8,665,510 | 28,885,033 | 38,864,412 | 38,864,412 | 38,864,412 |

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

Only include market value for eligible property on this schedule.

Schedule C: Employment Information

Applicant Name
ISD Name

IKO Southwest Inc
HILLSBORO

Form 50-296A

Revised Feb 2014

| | Year | School Year (YYYY-YYYY) | Tax Year (Actual tax year) YYYY | Construction | | Non-Qualifying Jobs | Qualifying Jobs | |
|---|---------------------|----------------------------|---------------------------------------|---|---|---|--|---|
| | | | | Column A | Column B | Column C | Column D | Column E |
| | | | | Number of Construction FTE's or man-hours (specify) | Average annual wage rates for construction workers | Number of non-qualifying jobs applicant estimates it will create (cumulative) | Number of new qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative) | Average annual wage of new qualifying jobs |
| Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i> | 0 | 2014-2015 | 2014 | 0 | | 0 | | |
| | 0 | 2015-2016 | 2015 | 150 FTE's | 35,000 | | | |
| | 0 | 2016-2017 | 2016 | 56 FTE's | 35,000 | 15 | 25 | 42,000 |
| Value Limitation Period <i>The qualifying time period could overlap the value limitation period.</i> | 1 | 2017-2018 | 2017 | 0 | 0 | 15 | 25 | 42,000 |
| | 2 | 2018-2019 | 2018 | 0 | 0 | 15 | 25 | 42,000 |
| | 3 | 2019-2020 | 2019 | 0 | 0 | 15 | 25 | 42,420 |
| | 4 | 2020-2021 | 2020 | 0 | 0 | 15 | 25 | 42,844 |
| | 5 | 2021-2022 | 2021 | 0 | 0 | 15 | 25 | 43,273 |
| | 6 | 2022-2023 | 2022 | 0 | 0 | 15 | 25 | 43,705 |
| | 7 | 2023-2024 | 2023 | 0 | 0 | 15 | 25 | 44,142 |
| | 8 | 2024-2025 | 2024 | 0 | 0 | 15 | 25 | 44,584 |
| | 9 | 2025-2026 | 2025 | 0 | 0 | 15 | 25 | 45,030 |
| 10 | 2026-2027 | 2026 | 0 | 0 | 15 | 25 | 45,480 | |
| Years Following Value Limitation Period | 11 through 25 | 2026-2041 | 2026-2040 | 0 | 0 | 15 | 25 | 47,299 |

Notes: See TAC 9.1051 for definition of non-qualifying jobs.
Only include jobs on the project site in this school district.

- C1.** Are the cumulative number of qualifying jobs listed in Column D less than the number of qualifying jobs required by statute? (25) Yes No
qualifying jobs in Subchapter B districts, 10 qualifying jobs in Subchapter C districts)
- If yes, answer the following two questions:
- C1a.** Will the applicant request a job waiver, as provided under 313.025(f-1)? Yes No
- C1b.** Will the applicant avail itself of the provision in 313.021(3)(F)? Yes No

Schedule D: Other Incentives (Estimated)

Applicant Name IKO Southwest Inc
ISD Name HILLSBORO

Form 50-296A

Revised Feb 2014

| State and Local Incentives for which the Applicant intends to apply (Estimated) | | | | | | |
|---|---|---------------------------|---------------------|-----------------------------------|------------------|---------------------|
| Incentive Description | Taxing Entity (as applicable) | Beginning Year of Benefit | Duration of Benefit | Annual Tax Levy without Incentive | Annual Incentive | Annual Net Tax Levy |
| Tax Code Chapter 311 | County: N/A | | | | | |
| | City: N/A | | | | | |
| | Other: N/A | | | | | |
| Tax Code Chapter 312 | County: HILL | 2017 | 2017-2026 | 406,000 | 90% | 40,600 |
| | City: HILLSBORO | 2017 | 2017-2026 | 613,750 | 90% | 61,375 |
| | Other: HILL COLLEGE | 2017 | 2017-2026 | 68,650 | 90% | 6,865 |
| Local Government Code Chapters 380/381 | County: | | | | | |
| | City: | | | | | |
| | Other: | | | | | |
| Freeport Exemptions | yes for those jurisdiction which offer Freeport = City & HISD | 2017 | Perpetuity | 515,000 | 145,000 | 370,000 |
| Non-Annexation Agreements | N/A | | | | | |
| Enterprise Zone/Project | | | | | | |
| Economic Development Corporation | | | | | | |
| Texas Enterprise Fund | | 2016 | 2016 | | 210,000 | |
| Employee Recruitment | | | | | | |
| Skills Development Fund | | | | | | |
| Training Facility Space and Equipment | | | | | | |
| Infrastructure Incentives | | | | | | |
| Permitting Assistance | | | | | | |
| Other: | | | | | | |
| Other: | | | | | | |
| Other: | | | | | | |
| Other: | | | | | | |
| TOTAL | | | | 1,603,400 | | 478,840 |

Additional information on incentives for this project:

TAB 15

Economic Impact Analysis, other payments made in the state or other economic information (if applicable)

None

TAB 16

Description of Reinvestment Zone or Enterprise Zone, including:

- a) *Legal description of reinvestment zone**
- b) *Order, resolution, or ordinance established the reinvestment zone**
- c) *Guidelines and criteria for creating the zone*
N/A for school district zone

See attached.

SZURGOT & PEEDE LAND SURVEYORS, LTD

125 N. COVINGTON STREET, P.O. BOX 533
HILLSBORO, TEXAS 76645
PHONE: (254) 582-3231
FAX: (254) 582-3234

LEGAL DESCRIPTION

58.91 Acres

In the

Benjamin Sanders Survey, Abstract No. 836

City of Hillsboro, Hill County, Texas

All that certain tract or parcel of land located in the Benjamin Sanders Survey, Abstract No. 836, City of Hillsboro, Hill County, Texas, and being a part of a called 94.72 acre tract of land (Tract A) conveyed by Welca Jean Farr and William Ray Allen to Lee Roy Jordan, D/B/A as Lee Roy Jordan Interests, dated August 27, 1997, and being recorded in Volume 944, Page 192, of the Official Public Records of Hill County, Texas, and being more particularly described as follows:

BEGINNING at a mag-nail found in Old Highway No. 77 (Hill County Road 4343), called to be in the northerly line of said Benjamin Sanders Survey and the southerly line of the Ewen Cameron Survey, Abstract No. 131 and being the northwest corner of a tract of land conveyed to Percy Lee Curtis (First Tract) by deed recorded in Volume 346, Page 214, of the Deed Records of Hill County, Texas, and being the northeast corner of said 94.72 acre tract;

THENCE South 30 degrees 54 minutes 07 seconds East (Directional Control Line), along the common line between said Curtis tract and said 94.72 acre tract, for a distance of 1599.85 feet to a 5/8" steel rebar found at a corner on the westerly line of Interstate Highway No. 35 (variable width right-of-way), being the most easterly northeast corner of said 94.72 acre tract;

THENCE South 03 degrees 57 minutes 41 seconds West, along the westerly line of said Interstate Highway No. 35, for a distance of 620.22 feet to a brass TXT-DOT monument found at a corner on the northerly line of the old SF&L Railway (100 foot right-of-way) that is conveyed to the City of Hillsboro by Quitclaim Deed recorded in Volume 912, Page 359, of the Official Public Records of Hill County, Texas, and being the southeast corner of said 94.72 acre tract;

THENCE South 79 degrees 25 minutes 53 seconds West, along the common line between said Railway tract and said 94.72 acre tract, for a distance of 968.58 feet to a 1/2" steel rebar set at a corner, being the southeast corner of Lot 4, Block 1, of Lee Roy Jordan Industrial Park, an addition to the City of Hillsboro according to the plat recorded in Slide 197-A, of the Plat Records of Hill County, Texas, and being in the southerly line of said 94.72 acre tract and from which a 1/2" steel rebar found at the southwest corner of said 94.72 acre tract bears South 79 degrees 25 minutes 53 seconds West at a distance of 1202.75 feet;

THENCE North 28 degrees 55 minutes 01 seconds West, along the easterly line of said Lot 4, for a distance of 593.98 feet to a 5/8" steel rebar found at a corner, being the northeast corner of said Lot 4;

THENCE South 59 degrees 39 minutes 48 seconds West, along the northerly line of said Lot 4, passing the southeast corner of a tract of land described as Easement #1 recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas, continuing and passing the northeasterly corner of a tract of land described as Easement #2 recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas, continuing in all for a total distance of 187.87 feet to a 5/8" steel rebar found at a corner on the northerly line of said Lot 4, being the southeast corner of Lot 3, of said Block 1, the southwest corner of said Easement #1 and being in a curve to the left having a radius of 399.57 feet;

THENCE in a northwesterly direction along said curve to the left, for an arc distance of 35.63 feet and having a chord bearing of North 29 degrees 56 minutes 26 seconds West and a chord distance of 35.62 feet to a 5/8" steel rebar found at a corner at the end of said curve;

THENCE North 29 degrees 40 minutes 05 seconds West, along the easterly line of said Lot 3 and the westerly line of said Easement #1, for a distance of 669.02 feet to an "X" cut in concrete set at a corner on the southerly line of Lot 2, of said Block 1, and being the northwest corner of said Easement #1;

THENCE North 61 degrees 29 minutes 02 seconds East, along the southerly line of said Lot 2 and the northerly line of said Easement #1, passing the southeast corner of said Lot 2, continuing in all for a total distance of 82.30 feet to a 5/8" steel rebar found at a corner, being the northeast corner of said Easement #1, and the southeast corner of the proposed Replat of Lot 2;

THENCE North 30 degrees 18 minutes 31 seconds West, partially along a fence line and the easterly line of said proposed Replat of Lot 2, at 437.02 feet passing an "X" cut found in a concrete flume for the northeast corner of said proposed Replat of Lot 2 and the southerly line of the aforementioned Old Highway No. 77, continuing in all for a total distance of 487.70 feet to a mag-nail set in said Old Highway No. 77 and the northerly line of the aforementioned 94.72 acre tract;

THENCE North 59 degrees 36 minutes 59 seconds East, along said Old Highway No. 77 and the northerly line of said 94.72 acre tract, for a distance of 1327.81 feet to the point of beginning, and containing 58.91 acres of land, of which approximately 1.55 acres of land lies within said Old Highway No. 77, as surveyed by Szurgot & Peede Land Surveyors, LTD., in March and April of 2013.

Bears for this survey are based on Texas State Plain North Central Zone Coordinates.

SZURGOT & PEEDE LAND SURVEYORS, LTD

125 N. COVINGTON STREET, P.O. BOX 533
HILLSBORO, TEXAS 76645
PHONE: (254) 582-3231
FAX: (254) 582-3234

LEGAL DESCRIPTION

2.43 Acres

In the

Benjamin Sanders Survey, Abstract No. 836
City of Hillsboro, Hill County, Texas

All that certain tract or parcel of land located in the Benjamin Sanders Survey, Abstract No. 836, City of Hillsboro, Hill County, Texas, and being a part of Lot 4, Block 1, of Lee Roy Jordan Industrial Park, an addition to the City of Hillsboro, Hill County, Texas, according to the plat recorded in Slide 197-A, of the Plat Records of Hill County, Texas, and being more particularly described as follows:

BEGINNING at a 1/2" steel rebar set at a corner on the northerly line of the old SF&L Railway (100 foot right-of-way) that is conveyed to the City of Hillsboro by Quitclaim Deed recorded in Volume 912, Page 359, of the Official Public Records of Hill County, Texas, from which a 1/2" steel rebar found at the southeast corner of said Lot 4 bears North 79 degrees 25 minutes 53 seconds East at a distance of 87.69 feet;

THENCE South 79 degrees 25 minutes 53 seconds West, along the northerly line of said Railway tract and the southerly line of said Lot 4, for a distance of 492.03 feet to a 1/2" steel rebar set at a corner on the easterly side of a tract of land described as Easement #2 in a deed recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas, and being in a curve to the left, having a radius of 507.50 feet;

THENCE in a northeasterly direction along said curve to the left, for an arc distance of 609.30 feet and having a chord bearing of North 15 degrees 44 minutes 26 seconds East and a chord distance of 573.36 feet to a 1/2" steel rebar set at a corner on the northerly line of said Lot 4, and the southerly line of a tract of land described as Easement #1, recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas, and from which a 5/8" steel rebar found at the southeast corner of Lot 3, of said Block 1 bears South 59 degrees 39 minutes 48 seconds West at a distance of 40.58 feet;

THENCE North 59 degrees 39 minutes 48 seconds East, along the northerly line of said Lot 4, for a distance of 49.91 feet to a 1/2" steel rebar set at a corner from which a 5/8" steel rebar found at the southeast corner of said Lot 4 bears North 59 degrees 39 minutes 48 seconds East at a distance of 97.38 feet;

THENCE South 30 degrees 21 minutes 04 seconds East, partially along fence line, for a distance of 564.14 feet to the point of beginning, and containing 2.43 acres of land, as surveyed by Szurgot & Peede Land Surveyors, LTD., in March and April of 2013.

Bears for this survey are based on Texas State Plain North Central Zone Coordinates.

Donny Peede, Texas RPLS No. 5137
Job No. 030913B DRP

SZURGOT & PEEDE LAND SURVEYORS, LTD

125 N. COVINGTON STREET, P.O. BOX 533
HILLSBORO, TEXAS 76645
PHONE: (254) 582-3231
FAX: (254) 582-3234

LEGAL DESCRIPTION

1.20 Acres

In the

Benjamin Sanders Survey, Abstract No. 836

City of Hillsboro, Hill County, Texas

All that certain tract or parcel of land located in the Benjamin Sanders Survey, Abstract No. 836, City of Hillsboro, Hill County, Texas, and being a part of Lot 4, Block 1, of Lee Roy Jordan Industrial Park, an addition to the City of Hillsboro, Hill County, Texas, according to the plat recorded in Slide 197-A, of the Plat Records of Hill County, Texas, and being more particularly described as follows:

BEGINNING at a 1/2" steel rebar found at a corner on the northerly line of the old SF&L Railway (100 foot right-of-way) that is conveyed to the City of Hillsboro by Quitclaim Deed recorded in Volume 912, Page 359, of the Official Public Records of Hill County, Texas, being the southeast corner of said Lot 4 and the southwest corner of the remainder tract (Tract A) conveyed to Lee Roy Jordan by deed recorded in Volume 944, Page 192, of the Official Public Records of Hill County, Texas;

THENCE South 79 degrees 25 minutes 53 seconds West, along the northerly line of said Railway tract and the southerly line of said Lot 4, for a distance of 87.69 feet to a 1/2" steel rebar set at a corner;

THENCE North 30 degrees 21 minutes 04 seconds West, partially along a fence line, for a distance of 564.14 feet to a 1/2" steel rebar set at a corner on the northerly line of said Lot 4, being the southeast corner of an easement tract, described as Easement #1, recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas;

THENCE North 59 degrees 39 minutes 48 seconds East, along the northerly line of said Lot 4, for a distance of 97.38 feet to a 5/8" steel rebar found at a corner, being the northeast corner of said Lot 4;

THENCE South 28 degrees 55 minutes 01 seconds East, along the easterly line of said Lot 4, for a distance of 593.98 feet to the point of beginning, and containing 1.20 acres of land, as surveyed by Szurgot & Peede Land Surveyors, LTD., in March and April of 2013.

Bears for this survey are based on Texas State Plain North Central Zone Coordinates.

Donny Peede, Texas RPLS No. 5137

Job No. 030913A DRP

IKO Southwest Inc

Chapter 313 Application to Hillsboro ISD

Cummings Westlake, LLC

TAB 17

Signature and Certification page, signed and dated by Authorized School District Representative and Authorized Company Representative (applicant)

*TAB TO APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED
PROPERTY BY IKO SOUTHWEST INC TO HILLSBORO ISD*

SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in Tab 17. **NOTE:** If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print here ▶ Dr. James Gilcrease
Print Name (Authorized School District Representative)

sign here ▶ *[Signature]*
Signature (Authorized School District Representative)

Superintendent
Title

05-28-14
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print here ▶ Ron Healey
Print Name (Authorized Company Representative (Applicant))

sign here ▶ *[Signature]*
Signature (Authorized Company Representative (Applicant))

Treasurer
Title

5/27/14
Date

GIVEN under my hand and seal of office this, the

28th day of May, 2014

[Signature]
 Notary Public in and for the State of Texas Delaware

My Commission expires: June 20, 2014

(Notary Seal)

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.

***** JAINÉ R. RABIN *****
 MY COMMISSION EXPIRES ON
 JUNE 20, 2014
 NOTARY PUBLIC
 STATE OF DELAWARE

Attachment B

Franchise Tax Account Status



Franchise Tax Account Status

As of: 11/04/2014 10:32:14 AM

This Page is Not Sufficient for Filings with the Secretary of State

| IKO SOUTHWEST INC | |
|--|---|
| Texas Taxpayer Number | 10206360074 |
| Mailing Address | 6 DENNY RD STE 200 WILMINGTON, DE 19809-3444 |
| Right to Transact Business in Texas | ACTIVE |
| State of Formation | DE |
| Effective SOS Registration Date | Not Registered |
| Texas SOS File Number | Not Registered |
| Registered Agent Name | Not on file |
| Registered Office Street Address | |

Attachment C

State Comptroller's Certification

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



August 7, 2014

Dr. James Gilcrease
Superintendent
Hillsboro Independent School District
121 East Franklin Street
Hillsboro, TX 76645

Dear Superintendent Gilcrease:

On June 10, 2014, the Comptroller issued written notice that IKO Southwest, Inc. (the applicant) submitted a completed application (Application #1006) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on April 7, 2014, to the Hillsboro Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

- | | |
|-------------------|--|
| Sec. 313.024(a) | Applicant is subject to tax imposed by Chapter 171. |
| Sec. 313.024(b) | Applicant is proposing to use the property for an eligible project. |
| Sec. 313.024(d) | Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located. |
| Sec. 313.024(d-2) | Not applicable to Application #1006. |

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-286) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of June 10, 2014, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller’s economic impact analysis of IKO Southwest, Inc. (the project) applying to Hillsboro Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of IKO Southwest, Inc.

| | |
|---|--------------------|
| Applicant | IKO Southwest Inc. |
| Tax Code, 313.024 Eligibility Category | Manufacturing |
| School District | Hillsboro ISD |
| 2011-12 Enrollment in School District | 1,970 |
| County | Hill |
| Proposed Total Investment in District | \$145,950,000 |
| Proposed Qualified Investment | \$78,000,000 |
| Limitation Amount | \$20,000,000 |
| Number of new qualifying jobs committed to by applicant | 25 |
| Number of new non-qualifying jobs estimated by applicant | 15 |
| Average weekly wage of qualifying jobs committed to by applicant | \$807.69 |
| Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(A) | \$805 |
| Minimum annual wage committed to by applicant for qualified jobs | \$42,000 |
| Minimum weekly wage required for non-qualifying jobs | \$665 |
| Minimum annual wage required for non-qualifying jobs | \$34,567 |
| Investment per Qualifying Job | \$5,838,000 |
| Estimated M&O levy without any limit (15 years) | \$10,183,851 |
| Estimated M&O levy with Limitation (15 years) | \$4,541,039 |
| Estimated gross M&O tax benefit (15 years) | \$5,642,812 |

Table 2 is the estimated statewide economic impact of IKO Southwest, Inc. (modeled).

| Year | Employment | | | Personal Income | | |
|------|------------|--------------------|-------|-----------------|--------------------|--------------|
| | Direct | Indirect + Induced | Total | Direct | Indirect + Induced | Total |
| 2014 | 0 | 0 | 0 | \$0 | \$0 | \$0 |
| 2015 | 150 | 161 | 311 | \$5,250,000 | \$11,750,000 | \$17,000,000 |
| 2016 | 81 | 507 | 588 | \$3,010,000 | \$44,990,000 | \$48,000,000 |
| 2017 | 25 | 530 | 555 | \$1,050,000 | \$48,950,000 | \$50,000,000 |
| 2018 | 25 | 573 | 598 | \$1,050,000 | \$54,950,000 | \$56,000,000 |
| 2019 | 25 | 580 | 605 | \$1,060,500 | \$58,939,500 | \$60,000,000 |
| 2020 | 25 | 584 | 609 | \$1,071,100 | \$62,928,900 | \$64,000,000 |
| 2021 | 25 | 592 | 617 | \$1,081,825 | \$66,918,175 | \$68,000,000 |
| 2022 | 25 | 584 | 609 | \$1,092,625 | \$68,907,375 | \$70,000,000 |
| 2023 | 25 | 573 | 598 | \$1,103,550 | \$70,896,450 | \$72,000,000 |
| 2024 | 25 | 569 | 594 | \$1,114,600 | \$72,885,400 | \$74,000,000 |
| 2025 | 25 | 569 | 594 | \$1,125,750 | \$75,874,250 | \$77,000,000 |
| 2026 | 25 | 571 | 596 | \$1,137,000 | \$80,863,000 | \$82,000,000 |
| 2027 | 25 | 586 | 611 | \$1,182,475 | \$84,817,525 | \$86,000,000 |
| 2028 | 25 | 596 | 621 | \$1,182,475 | \$88,817,525 | \$90,000,000 |
| 2029 | 25 | 602 | 627 | \$1,182,475 | \$93,817,525 | \$95,000,000 |

Source: CPA, REMI, IKO Southwest, Inc.

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

| Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives | | | | | | | | | | | |
|---|---------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------|--------------------------------------|----------------------|----------------------------------|----------------------------|--------------------------------|---------------------|
| Year | Estimated Taxable Value for I&S | Estimated Taxable Value for M&O | Tax Rate ¹ | Hillsboro ISD I&S Tax Levy | Hillsboro ISD M&O Tax Levy | Hillsboro ISD M&O and I&S Tax Levies | Hill County Tax Levy | Hill County Jr. College Tax Levy | City of Hillsboro Tax Levy | Estimated Total Property Taxes | |
| | | | 0.2600 | 1.1500 | | | 0.5413 | 0.0915 | 0.8183 | | |
| 2015 | \$500,000 | \$500,000 | | \$1,300 | \$5,750 | \$7,050 | \$2,707 | \$458 | \$4,092 | \$14,306 | |
| 2016 | \$24,500,000 | \$24,500,000 | | \$63,700 | \$281,750 | \$345,450 | \$132,621 | \$22,421 | \$200,491 | \$700,983 | |
| 2017 | \$78,552,500 | \$78,552,500 | | \$204,237 | \$903,354 | \$1,107,590 | \$425,214 | \$71,887 | \$642,819 | \$2,247,510 | |
| 2018 | \$76,263,163 | \$76,263,163 | | \$198,284 | \$877,026 | \$1,075,311 | \$412,822 | \$69,791 | \$624,085 | \$2,182,009 | |
| 2019 | \$74,042,252 | \$74,042,252 | | \$192,510 | \$851,486 | \$1,043,996 | \$400,800 | \$67,759 | \$605,911 | \$2,118,465 | |
| 2020 | \$71,887,724 | \$71,887,724 | | \$186,908 | \$826,709 | \$1,013,617 | \$389,137 | \$65,787 | \$588,280 | \$2,056,821 | |
| 2021 | \$69,791,092 | \$69,791,092 | | \$181,457 | \$802,598 | \$984,054 | \$377,788 | \$63,869 | \$571,122 | \$1,996,833 | |
| 2022 | \$67,757,360 | \$67,757,360 | | \$176,169 | \$779,210 | \$955,379 | \$366,779 | \$62,007 | \$554,479 | \$1,938,644 | |
| 2023 | \$65,784,639 | \$65,784,639 | | \$171,040 | \$756,523 | \$927,563 | \$356,100 | \$60,202 | \$538,336 | \$1,882,202 | |
| 2024 | \$63,871,100 | \$63,871,100 | | \$166,065 | \$734,518 | \$900,583 | \$345,742 | \$58,451 | \$522,677 | \$1,827,452 | |
| 2025 | \$62,014,967 | \$62,014,967 | | \$161,239 | \$713,172 | \$874,411 | \$335,694 | \$56,752 | \$507,488 | \$1,774,346 | |
| 2026 | \$60,214,518 | \$60,214,518 | | \$156,558 | \$692,467 | \$849,025 | \$325,948 | \$55,105 | \$492,754 | \$1,722,832 | |
| 2027 | \$58,468,082 | \$58,468,082 | | \$152,017 | \$672,383 | \$824,400 | \$316,495 | \$53,506 | \$478,462 | \$1,672,864 | |
| 2028 | \$56,774,040 | \$56,774,040 | | \$147,613 | \$652,901 | \$800,514 | \$307,325 | \$51,956 | \$464,600 | \$1,624,394 | |
| 2029 | \$55,130,818 | \$55,130,818 | | \$143,340 | \$634,004 | \$777,345 | \$298,430 | \$50,452 | \$451,153 | \$1,577,379 | |
| | | | | | | Total | \$12,486,287 | \$4,793,601 | \$810,404 | \$7,246,749 | \$25,337,040 |

Source: CPA, IKO Southwest, Inc.

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Hill County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county, Hill County Jr.

College, and the City of Hillsboro. The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

| Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought | | | | | | | | | | | |
|---|---------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------|--------------------------------------|----------------------|----------------------------------|----------------------------|--------------------------------|---------------------|
| Year | Estimated Taxable Value for I&S | Estimated Taxable Value for M&O | Tax Rate ¹ | Hillsboro ISD I&S Tax Levy | Hillsboro ISD M&O Tax Levy | Hillsboro ISD M&O and I&S Tax Levies | Hill County Tax Levy | Hill County Jr. College Tax Levy | City of Hillsboro Tax Levy | Estimated Total Property Taxes | |
| | | | 0.2600 | 1.1500 | | | 0.5413 | 0.0915 | 0.8183 | | |
| 2015 | \$500,000 | \$500,000 | | \$1,300 | \$5,750 | \$7,050 | \$2,707 | \$458 | \$4,092 | \$14,306 | |
| 2016 | \$24,500,000 | \$24,500,000 | | \$63,700 | \$281,750 | \$345,450 | \$132,621 | \$22,421 | \$200,491 | \$700,983 | |
| 2017 | \$78,552,500 | \$20,000,000 | | \$204,237 | \$230,000 | \$434,237 | \$42,521 | \$7,189 | \$64,282 | \$548,229 | |
| 2018 | \$76,263,163 | \$20,000,000 | | \$198,284 | \$230,000 | \$428,284 | \$41,282 | \$6,979 | \$62,409 | \$538,954 | |
| 2019 | \$74,042,252 | \$20,000,000 | | \$192,510 | \$230,000 | \$422,510 | \$40,080 | \$6,776 | \$60,591 | \$529,957 | |
| 2020 | \$71,887,724 | \$20,000,000 | | \$186,908 | \$230,000 | \$416,908 | \$38,914 | \$6,579 | \$58,828 | \$521,228 | |
| 2021 | \$69,791,092 | \$20,000,000 | | \$181,457 | \$230,000 | \$411,457 | \$37,779 | \$6,387 | \$57,112 | \$512,735 | |
| 2022 | \$67,757,360 | \$20,000,000 | | \$176,169 | \$230,000 | \$406,169 | \$36,678 | \$6,201 | \$55,448 | \$504,496 | |
| 2023 | \$65,784,639 | \$20,000,000 | | \$171,040 | \$230,000 | \$401,040 | \$35,610 | \$6,020 | \$53,834 | \$496,504 | |
| 2024 | \$63,871,100 | \$20,000,000 | | \$166,065 | \$230,000 | \$396,065 | \$34,574 | \$5,845 | \$52,268 | \$488,752 | |
| 2025 | \$62,014,967 | \$20,000,000 | | \$161,239 | \$230,000 | \$391,239 | \$33,569 | \$5,675 | \$50,749 | \$481,232 | |
| 2026 | \$60,214,518 | \$20,000,000 | | \$156,558 | \$230,000 | \$386,558 | \$32,595 | \$5,510 | \$49,275 | \$473,938 | |
| 2027 | \$58,468,082 | \$58,468,082 | | \$152,017 | \$672,383 | \$824,400 | \$316,495 | \$53,506 | \$478,462 | \$1,672,864 | |
| 2028 | \$56,774,040 | \$56,774,040 | | \$147,613 | \$652,901 | \$800,514 | \$307,325 | \$51,956 | \$464,600 | \$1,624,394 | |
| 2029 | \$55,130,818 | \$55,130,818 | | \$143,340 | \$634,004 | \$777,345 | \$298,430 | \$50,452 | \$451,153 | \$1,577,379 | |
| | | | | | | | | | | | |
| | | | | | | Total | \$6,849,225 | \$1,431,180 | \$241,955 | \$2,163,592 | \$10,685,951 |
| | | | | | | Diff | \$5,637,062 | \$3,362,421 | \$568,450 | \$5,083,156 | \$14,651,089 |

Assumes School Value Limitation and Tax Abatements with Hills County, Hill County Jr. College and the City of Hillsboro.

Source: CPA, IKO Southwest, Inc.

¹Tax Rate per \$100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue over 25 Years

This represents the Comptroller’s determination that IKO Southwest Inc. (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

| | Tax Year | Estimated ISD M&O Tax Levy Generated (Annual) | Estimated ISD M&O Tax Levy Generated (Cumulative) | Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual) | Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative) |
|--|----------|---|---|---|---|
| Limitation Pre-Years | 2014 | \$0 | \$0 | \$0 | \$0 |
| | 2015 | \$5,750 | \$5,750 | \$0 | \$0 |
| | 2016 | \$281,750 | \$287,500 | \$0 | \$0 |
| Limitation Period (10 Years) | 2017 | \$230,000 | \$517,500 | \$673,354 | \$673,354 |
| | 2018 | \$230,000 | \$747,500 | \$647,026 | \$1,320,380 |
| | 2019 | \$230,000 | \$977,500 | \$621,486 | \$1,941,866 |
| | 2020 | \$230,000 | \$1,207,500 | \$596,709 | \$2,538,575 |
| | 2021 | \$230,000 | \$1,437,500 | \$572,598 | \$3,111,172 |
| | 2022 | \$230,000 | \$1,667,500 | \$549,210 | \$3,660,382 |
| | 2023 | \$230,000 | \$1,897,500 | \$526,523 | \$4,186,905 |
| | 2024 | \$230,000 | \$2,127,500 | \$504,518 | \$4,691,423 |
| | 2025 | \$230,000 | \$2,357,500 | \$483,172 | \$5,174,595 |
| | 2026 | \$230,000 | \$2,587,500 | \$462,467 | \$5,637,062 |
| Maintain Viable Presence (5 Years) | 2027 | \$672,383 | \$3,259,883 | \$0 | \$5,637,062 |
| | 2028 | \$652,901 | \$3,912,784 | \$0 | \$5,637,062 |
| | 2029 | \$634,004 | \$4,546,789 | \$0 | \$5,637,062 |
| | 2030 | \$615,674 | \$5,162,463 | \$0 | \$5,637,062 |
| | 2031 | \$597,894 | \$5,760,357 | \$0 | \$5,637,062 |
| Additional Years as Required by 313.026(c)(1) (10 Years) | 2032 | \$580,647 | \$6,341,004 | \$0 | \$5,637,062 |
| | 2033 | \$563,918 | \$6,904,922 | \$0 | \$5,637,062 |
| | 2034 | \$547,690 | \$7,452,612 | \$0 | \$5,637,062 |
| | 2035 | \$531,950 | \$7,984,562 | \$0 | \$5,637,062 |
| | 2036 | \$516,681 | \$8,501,243 | \$0 | \$5,637,062 |
| | 2037 | \$501,871 | \$9,003,114 | \$0 | \$5,637,062 |
| | 2038 | \$487,505 | \$9,490,618 | \$0 | \$5,637,062 |
| | 2039 | \$473,569 | \$9,964,188 | \$0 | \$5,637,062 |
| | 2040 | \$460,052 | \$10,424,240 | \$0 | \$5,637,062 |
| | 2041 | \$446,941 | \$10,871,181 | \$0 | \$5,637,062 |

\$10,871,181

is greater than

\$5,637,062

Analysis Summary

Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?

Yes

Source: CPA, IKO Southwest, Inc.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller determined that the **limitation on appraised value is a determining factor** in the IKO Southwest Inc.’s decision to invest capital and construct the project in this state. This is based on the information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- According to the company they are looking to expand their market share in the US and have been offered extensive incentives totaling approximately \$18 million to build the new factory in Hugo, Oklahoma,
- The applicant just finished construction of a plant in Alabama and has three other asphalt shingle plants in the US, four in Canada and two in Europe. The Hillsboro factory would be the company’s fifth manufacturing factory in the US. They have the ability to invest, locate and develop new manufacturing factories in numerous locations throughout the United States, Canada and Europe
- The applicant has a Tax Code 312 agreement with Hill College and seeking a Tax Code 312 agreements with the City of Hillsboro and Hill County
- The applicant is also seeking an incentive from the Texas Enterprise fund
- The applicant does not indicate in the application if the limitation on appraised value is a determining factor

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

Attachment D

Summary of Financial Impact

**CHAPTER 313 PROPERTY VALUE LIMITATION
FINANCIAL IMPACT OF THE PROPOSED IKO SOUTHWEST,
INC. PROJECT IN THE HILLSBORO INDEPENDENT SCHOOL
DISTRICT**

PREPARED BY



SEPTEMBER 29, 2014

Executive Summary

IKO Southwest, Inc. (Company) has requested that the Hillsboro Independent School District (HISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to HISD on April 22, 2014 the Company plans to invest \$78.6 million to construct a facility that will manufacture asphalt roofing shingles. Moak, Casey & Associates (MCA) has been retained to prepare an analysis of this value limitation and help the district navigate the overall application and agreement process.

The IKO Southwest project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, HISD may offer a minimum value limitation of \$20 million. This value limitation, under the proposed application, will begin in the 2017-18 school year and remain at that level of taxable value for Maintenance and Operations (M&O) tax purposes for ten years. The entire project value will remain taxable for I&S or debt service purposes for the term of the agreement (and thereafter).

MCA's initial school finance analysis is detailed in this report. The overall conclusions are as follows, but please read all of the subsequent details in the report below for more information.

| | |
|---|-------------|
| Total Revenue-Loss Payment owed to HISD | \$771,363 |
| Total Savings to Company after Revenue-Loss Payment | \$4,865,699 |

Application Process

After the school district has submitted an application to the Comptroller's Office (Comptroller), the Comptroller begins reviewing the application for completeness. The purpose of this review is to ensure all necessary information and attachments are included in the application before moving forward with the formal review process. At the time the application is determined complete—typically 4-6 weeks after receipt—the Comptroller will deliver a Completeness Letter to the company and the school district.

The issuance of a Completeness Letter is important because it sets the timeline for the rest of process. From the date of issuance, the Comptroller has 90 days to conduct its full review of the project and provide its certificate for a limitation on appraised value. After

the certificate is received, the district has until the 150th day from the receipt of the Completeness Letter or until December 31st, whichever is earlier, to adopt an agreement.

Each value limitation agreement is unique and to ensure the proper revenue-loss protection and maximum supplemental benefits are in place, an understanding of the school district's finances and a thorough knowledge of the Ch. 313 statute are required. MCA and O'Hanlon, McCollom & Demerath will make every effort to ensure the best interests of HISD are secured. After the Comptroller's certificate is received, O'Hanlon, McCollom & Demerath will contact the school district to discuss the value limitation agreement and begin negotiations with the Company, under the direction of the District. A final version of the agreement must be submitted to the Comptroller for review 30 days prior to final adoption by the school district's board of trustees.

At the final board meeting, the school board will review the Value Limitation Agreement and Findings of Fact that detail the project's conformance with state law. Prior to this meeting, O'Hanlon, McCollom & Demerath will provide the district with the necessary agenda language and any additional action items that are needed for board consideration and action.

How the 313 Agreement Interacts with Texas School Finance

M&O funding for Texas schools relies on two methods of finance: local school district property taxes and state aid. State aid consists of three components: Tier I, Tier II and additional state aid for tax reduction.

Tier I provides state funding based on ADA and special student populations, as well as transportation. The local funds for Tier I are M&O taxes raised at the compressed tax rate—\$1.00 per \$100 of taxable value for most school districts (less any recapture payments owed to the state from high property-wealth school districts).

Tier II guarantees a specific amount of funding per student in weighted average daily attendance for each penny of a school district's tax effort above a specified level. There are two levels of Tier II funding—funding under the six so-called golden pennies and the eleven so-called copper pennies. Voter approval is required in most cases to access the last two golden pennies and the eleven copper pennies.

Additional State Aid for Tax Reduction (ASATR) guarantees a school district a set amount of state and local M&O funds per student in weighted average daily attendance to compensate for the mandatory reduction in, or compression of, the local M&O tax rate that was adopted in 2005 or 2006. For more detailed information on the school finance funding system, please review the Texas Education Agency's [School Finance 101: Funding of Texas Public Schools](#). For the 2014-15 school year it is estimated that 230 school districts will receive ASATR hold-harmless funding (\$335 million in state funding). ASATR funding is expected to be eliminated by the 2017-18 school year under current law.

Based on the estimates presented below, HISD is not expected to receive ASATR funding under either the base case or limitation model calculations. Under the proposed value

limitation, ASATR funding would expire under current law before the value limitation takes effect in the 2017-18 school year.

For a school district that approves a Chapter 313 value limitation, the first year is often problematic financially. The implementation of the value limitation often results in an M&O revenue loss to the school district in the first year of the limitation that would not be reimbursed by the state, but require some type of compensation from the Company under the revenue protection provisions of the agreement. This is because the general school finance formula system calculates state aid entitlements using the property value for the preceding year as certified by the Comptroller.

In most instances smaller revenue losses would be anticipated in years 2-10 of the limitation when the state M&O property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study. **If the full value of the project increases significantly during the value limitation period, the revenue losses may be greater than originally estimated. This does not appear to be the case for the IKO Southwest project, based on the estimated taxable value schedule included in the Company's application.**

A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 1-10. The Company will receive a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter).

Future legislative action on school funding could potentially affect the impact of the value limitation on the school district's finances and result in revenue-loss estimates that differ from the estimates presented in this report.

Underlying School District Data Assumptions

A key element in any analysis of the school finance implications of a Chapter 313 agreement is the provision for revenue protection in the agreement between the school district and the applicant. The agreement calls for a calculation of the revenue impact of the value limitation in years 1-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue-protection language in the agreement. This approach also reduces guess work as to future changes in school finance and property tax laws.

Student enrollment counts are held constant at 1,812 students in average daily attendance (ADA) in analyzing the effects of the project on the finances of HISD. The District's local tax base reached \$573.8 million for the 2014 tax year (the most recent year available) and is maintained at that level for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.15 per \$100 is used throughout this analysis for the limitation years. HISD has estimated 2014-15 state property wealth per weighted ADA or WADA of approximately \$196,727, which is below the state average. Given its relatively low property wealth per student, HISD is not considered a Chapter 41 or recapture district under the school finance system. Table 1 summarizes the enrollment and property value assumptions for the 15 years that are the subject of this analysis.

The M&O tax rate for the 2027-28 school year reflect the impact of the Chapter 313 project value returning to the total tax roll for M&O funding purposes, which could result in a lower M&O tax rate under the current tax rollback calculations. For the purposes of these estimates, it is assumed that the current M&O tax rate in year 11 of the limitation agreement would be reduced slightly from the \$1.15 per \$100 M&O rate shown in Table 1 to \$1.10 and then return to the \$1.15 M&O tax rate in the 2028-29 school year. The lower M&O rate is reflected for that year in the limitation model shown below.

The general approach used here to analyze the future revenue stream of the school district under a value limitation is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. ASATR is continued under the current funding elements until the 2017-18 school year, although it is not a factor for HISD in these calculations, as noted previously.

Table 1 – Base District Information with IKO Southwest Project Value and Limitation Values

| Year of Agreement | School Year | ADA | WADA | M&O Tax Rate | I&S Tax Rate | CAD Value with Project | CAD Value with Limitation | CPTD with Project | CPTD With Limitation | CPTD Value with Project per WADA | CPTD Value with Limitation per WADA |
|-------------------|-------------|----------|----------|--------------|--------------|------------------------|---------------------------|-------------------|----------------------|----------------------------------|-------------------------------------|
| Pre-Year 1 | 2016-17 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$573,787,305 | \$573,787,305 | \$552,688,618 | \$552,688,618 | \$208,288 | \$208,288 |
| 1 | 2017-18 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$652,339,805 | \$593,787,305 | \$552,688,618 | \$552,688,618 | \$208,288 | \$208,288 |
| 2 | 2018-19 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$650,050,468 | \$593,787,305 | \$631,241,118 | \$572,688,618 | \$237,892 | \$215,826 |
| 3 | 2019-20 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$647,829,557 | \$593,787,305 | \$628,951,781 | \$572,688,618 | \$237,029 | \$215,826 |
| 4 | 2020-21 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$645,675,029 | \$593,787,305 | \$626,730,870 | \$572,688,618 | \$236,192 | \$215,826 |
| 5 | 2021-22 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$643,578,397 | \$593,787,305 | \$624,576,342 | \$572,688,618 | \$235,380 | \$215,826 |
| 6 | 2022-23 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$641,544,665 | \$593,787,305 | \$622,479,710 | \$572,688,618 | \$234,590 | \$215,826 |
| 7 | 2023-24 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$639,571,944 | \$593,787,305 | \$620,445,978 | \$572,688,618 | \$233,824 | \$215,826 |
| 8 | 2024-25 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$637,658,405 | \$593,787,305 | \$618,473,257 | \$572,688,618 | \$233,080 | \$215,826 |
| 9 | 2025-26 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$635,802,272 | \$593,787,305 | \$616,559,718 | \$572,688,618 | \$232,359 | \$215,826 |
| 10 | 2026-27 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$634,001,823 | \$593,787,305 | \$614,703,585 | \$572,688,618 | \$231,660 | \$215,826 |
| 11 | 2027-28 | 1,812.10 | 2,653.48 | \$1.1000 | \$0.2600 | \$632,255,387 | \$632,255,387 | \$612,903,136 | \$572,688,618 | \$230,981 | \$215,826 |
| 12 | 2028-29 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$630,561,345 | \$630,561,345 | \$611,156,700 | \$611,156,700 | \$230,323 | \$230,323 |
| 13 | 2029-30 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$628,918,123 | \$628,918,123 | \$609,462,658 | \$609,462,658 | \$229,684 | \$229,684 |
| 14 | 2030-31 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$627,324,199 | \$627,324,199 | \$607,819,436 | \$607,819,436 | \$229,065 | \$229,065 |
| 15 | 2031-32 | 1,812.10 | 2,653.48 | \$1.1500 | \$0.2600 | \$625,778,092 | \$625,778,092 | \$606,225,512 | \$606,225,512 | \$228,464 | \$228,464 |

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

M&O Impact of the IKO Southwest Project on HISD

School finance models were prepared for HISD under these assumptions through the 2031-32 school year. Under the proposed agreement, a model is established to make a calculation of the “Baseline Revenue Model” by adding the total value of the project to the model, but without assuming that a value limitation is approved. This is detailed in Table 2.

Additionally, a separate model is established to make a calculation of the “Value Limitation Revenue Model” by adding the project’s limited value of \$30 million to the model. These results are shown in Table 3.

Table 2- "Baseline Revenue Model"--Project Value Added with No Value Limitation

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from the Additional Local Tax Effort | Other State Aid | Total General Fund |
|-------------------|-------------|-----------------------------|-------------|------------------------------------|-----------------|----------------------------------|---|--|-----------------|--------------------|
| Pre-Year 1 | 2016-17 | \$5,266,083 | \$8,447,626 | \$0 | \$0 | \$789,912 | \$875,961 | \$0 | \$51,625 | \$15,431,207 |
| 1 | 2017-18 | \$6,047,608 | \$8,447,626 | \$0 | \$0 | \$907,141 | \$1,005,982 | \$0 | \$51,625 | \$16,459,982 |
| 2 | 2018-19 | \$6,024,714 | \$7,662,101 | \$0 | \$0 | \$903,707 | \$764,857 | \$0 | \$51,625 | \$15,407,004 |
| 3 | 2019-20 | \$6,002,505 | \$7,684,994 | \$0 | \$0 | \$900,375 | \$768,135 | \$0 | \$51,625 | \$15,407,634 |
| 4 | 2020-21 | \$5,980,960 | \$7,707,203 | \$0 | \$0 | \$897,144 | \$771,315 | \$0 | \$51,625 | \$15,408,247 |
| 5 | 2021-22 | \$5,959,994 | \$7,728,749 | \$0 | \$0 | \$893,999 | \$774,401 | \$0 | \$51,625 | \$15,408,768 |
| 6 | 2022-23 | \$5,939,656 | \$7,749,715 | \$0 | \$0 | \$890,948 | \$777,403 | \$0 | \$51,625 | \$15,409,347 |
| 7 | 2023-24 | \$5,919,929 | \$7,770,052 | \$0 | \$0 | \$887,990 | \$779,295 | \$0 | \$51,625 | \$15,408,891 |
| 8 | 2024-25 | \$5,900,794 | \$7,789,779 | \$0 | \$0 | \$885,119 | \$782,117 | \$0 | \$51,625 | \$15,409,434 |
| 9 | 2025-26 | \$5,882,232 | \$7,808,915 | \$0 | \$0 | \$882,335 | \$784,856 | \$0 | \$51,625 | \$15,409,963 |
| 10 | 2026-27 | \$5,864,228 | \$7,827,476 | \$0 | \$0 | \$879,635 | \$787,513 | \$0 | \$51,625 | \$15,410,477 |
| 11 | 2027-28 | \$5,852,814 | \$7,845,481 | \$0 | \$0 | \$585,282 | \$679,078 | \$0 | \$51,625 | \$15,014,280 |
| 12 | 2028-29 | \$5,830,511 | \$7,862,945 | \$0 | \$0 | \$874,577 | \$792,587 | \$0 | \$51,625 | \$15,412,245 |
| 13 | 2029-30 | \$5,814,408 | \$7,879,885 | \$0 | \$0 | \$872,161 | \$795,012 | \$0 | \$51,625 | \$15,413,091 |
| 14 | 2030-31 | \$5,798,787 | \$7,896,318 | \$0 | \$0 | \$869,818 | \$797,363 | \$0 | \$51,625 | \$15,413,911 |
| 15 | 2031-32 | \$5,783,635 | \$7,912,257 | \$0 | \$0 | \$867,545 | \$799,644 | \$0 | \$51,625 | \$15,414,706 |

Table 3- "Value Limitation Revenue Model"--Project Value Added with Value Limit

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from the Additional Local Tax Effort | Other State Aid | Total General Fund |
|-------------------|-------------|-----------------------------|-------------|------------------------------------|-----------------|----------------------------------|---|--|-----------------|--------------------|
| Pre-Year 1 | 2016-17 | \$5,266,083 | \$8,447,626 | \$0 | \$0 | \$789,912 | \$875,961 | \$0 | \$51,625 | \$15,431,207 |
| 1 | 2017-18 | \$5,462,083 | \$8,447,626 | \$0 | \$0 | \$819,312 | \$907,973 | \$0 | \$51,625 | \$15,688,619 |
| 2 | 2018-19 | \$5,462,083 | \$8,247,626 | \$0 | \$0 | \$819,312 | \$847,361 | \$0 | \$51,625 | \$15,428,007 |
| 3 | 2019-20 | \$5,462,083 | \$8,247,626 | \$0 | \$0 | \$819,312 | \$847,361 | \$0 | \$51,625 | \$15,428,007 |
| 4 | 2020-21 | \$5,462,083 | \$8,247,626 | \$0 | \$0 | \$819,312 | \$847,361 | \$0 | \$51,625 | \$15,428,007 |
| 5 | 2021-22 | \$5,462,083 | \$8,247,626 | \$0 | \$0 | \$819,312 | \$847,361 | \$0 | \$51,625 | \$15,428,007 |
| 6 | 2022-23 | \$5,462,083 | \$8,247,626 | \$0 | \$0 | \$819,312 | \$847,361 | \$0 | \$51,625 | \$15,428,007 |
| 7 | 2023-24 | \$5,462,083 | \$8,247,626 | \$0 | \$0 | \$819,312 | \$847,361 | \$0 | \$51,625 | \$15,428,007 |
| 8 | 2024-25 | \$5,462,083 | \$8,247,626 | \$0 | \$0 | \$819,312 | \$847,361 | \$0 | \$51,625 | \$15,428,007 |
| 9 | 2025-26 | \$5,462,083 | \$8,247,626 | \$0 | \$0 | \$819,312 | \$847,361 | \$0 | \$51,625 | \$15,428,007 |
| 10 | 2026-27 | \$5,462,083 | \$8,247,626 | \$0 | \$0 | \$819,312 | \$847,361 | \$0 | \$51,625 | \$15,428,007 |
| 11 | 2027-28 | \$5,844,405 | \$8,247,626 | \$0 | \$0 | \$584,440 | \$766,317 | \$0 | \$51,625 | \$15,494,413 |
| 12 | 2028-29 | \$5,822,468 | \$7,862,945 | \$0 | \$0 | \$873,370 | \$792,115 | \$0 | \$51,625 | \$15,402,523 |
| 13 | 2029-30 | \$5,806,365 | \$7,879,885 | \$0 | \$0 | \$870,955 | \$794,536 | \$0 | \$51,625 | \$15,403,366 |
| 14 | 2030-31 | \$5,790,744 | \$7,896,318 | \$0 | \$0 | \$868,612 | \$796,884 | \$0 | \$51,625 | \$15,404,183 |
| 15 | 2031-32 | \$5,775,592 | \$7,912,257 | \$0 | \$0 | \$866,339 | \$799,162 | \$0 | \$51,625 | \$15,404,975 |

Table 4 displays the results of the comparison between the Baseline Revenue Model and the Value Limitation Revenue Model (Tables 2 and 3). The difference between the two models indicates there will be a total revenue loss of \$771,363 in the initial 2017-18 value limitation year under the Agreement. An examination of Table 4 indicates that there is no state aid for the \$673,354 in tax savings to the Company that year, along with an estimated Tier II state-aid loss of \$98,009 due to lower tax effort. By the 2018-19 school year, changes in the state property value study result in state aid increases that offset the property tax reductions due to the limitation. This pattern holds for subsequent years, under the estimates presented here.

Table 4 - Value Limit less Project Value with No Limit

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from the Additional Local Tax Effort | Other State Aid | Total General Fund |
|-------------------|-------------|-----------------------------|-----------|------------------------------------|-----------------|----------------------------------|---|--|-----------------|--------------------|
| Pre-Year 1 | 2016-17 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | 2017-18 | -\$585,525 | \$0 | \$0 | \$0 | -\$87,829 | -\$98,009 | \$0 | \$0 | -\$771,363 |
| 2 | 2018-19 | -\$562,631 | \$585,525 | \$0 | \$0 | -\$84,395 | \$82,504 | \$0 | \$0 | \$21,003 |
| 3 | 2019-20 | -\$540,422 | \$562,632 | \$0 | \$0 | -\$81,063 | \$79,226 | \$0 | \$0 | \$20,373 |
| 4 | 2020-21 | -\$518,877 | \$540,423 | \$0 | \$0 | -\$77,832 | \$76,046 | \$0 | \$0 | \$19,760 |
| 5 | 2021-22 | -\$497,911 | \$518,877 | \$0 | \$0 | -\$74,687 | \$72,960 | \$0 | \$0 | \$19,239 |
| 6 | 2022-23 | -\$477,573 | \$497,911 | \$0 | \$0 | -\$71,636 | \$69,958 | \$0 | \$0 | \$18,660 |
| 7 | 2023-24 | -\$457,846 | \$477,574 | \$0 | \$0 | -\$68,678 | \$68,066 | \$0 | \$0 | \$19,116 |
| 8 | 2024-25 | -\$438,711 | \$457,847 | \$0 | \$0 | -\$65,807 | \$65,244 | \$0 | \$0 | \$18,573 |
| 9 | 2025-26 | -\$420,149 | \$438,711 | \$0 | \$0 | -\$63,023 | \$62,505 | \$0 | \$0 | \$18,044 |
| 10 | 2026-27 | -\$402,145 | \$420,150 | \$0 | \$0 | -\$60,323 | \$59,848 | \$0 | \$0 | \$17,530 |
| 11 | 2027-28 | -\$8,409 | \$402,145 | \$0 | \$0 | -\$842 | \$87,239 | \$0 | \$0 | \$480,133 |
| 12 | 2028-29 | -\$8,043 | \$0 | \$0 | \$0 | -\$1,207 | -\$472 | \$0 | \$0 | -\$9,722 |
| 13 | 2029-30 | -\$8,043 | \$0 | \$0 | \$0 | -\$1,206 | -\$476 | \$0 | \$0 | -\$9,725 |
| 14 | 2030-31 | -\$8,043 | \$0 | \$0 | \$0 | -\$1,206 | -\$479 | \$0 | \$0 | -\$9,728 |
| 15 | 2031-32 | -\$8,043 | \$0 | \$0 | \$0 | -\$1,206 | -\$482 | \$0 | \$0 | -\$9,731 |

M&O Impact on the Taxpayer

Table 5 summarizes the impact of the property value limitation in terms of the potential tax savings to the taxpayer under the property value limitation agreement. The focus of this table is on the M&O tax rate only. A \$1.15 per \$100 M&O tax rate is assumed in 2014-15 (the most recent year available) and thereafter for the 10-year limitation period. An M&O tax rate of \$1.10 per \$100 is used for the 2027-28 school year, as discussed in the section on Underlying Assumptions.

Under the assumptions used here, the potential tax savings from the value limitation total \$5.6 million over the life of the agreement. The HISD revenue losses are expected to total approximately \$771,363 in the initial 2017-18 limitation year under the Agreement. In total, the potential net tax benefits (after hold-harmless payments are made) are estimated to reach \$4.87 million.

I&S Funding Impact on School District

The project remains fully taxable for debt services taxes, with HISD currently levying a \$0.26 per \$100 I&S rate. Under the estimates presented here, HISD should see a boost in I&S tax collections in the 2017-18 school year, which is the peak valuation year under the schedule included in the application. Even with that additional value, however, it appears that HISD will have a state taxable value per ADA that falls slightly below the equivalent \$350,000 per ADA guarantee under the state facilities programs (Instructional Facilities Allotment and Existing Debt Allotment). Since the underlying tax base was held static for the purposes of analyzing the impact of the value limitation, a combination of underlying tax base growth and the IKO Southwest project could generate a long-term net benefit for HISD taxpayers in terms of addressing the District’s debt needs.

The project is not expected to affect HISD in terms of enrollment, although the anticipated increase in jobs would provide additional employment opportunities in the Hillsboro community. Continued expansion of the project and related development could result in an

increase in the school-age population, but this project is unlikely to have a significant enrollment impact on a stand-alone basis.

Table 5 - Estimated Financial Impact of the IKO Southwest Project Property Value Limitation Request Submitted to HISD at \$1.1500 M&O Tax Rate

| Year of Agreement | School Year | Project Value | Estimated Taxable Value | Value Savings | Assumed M&O Tax Rate | Taxes Before Value Limit | Taxes after Value Limit | Tax Savings @ Projected M&O Rate | Tax Benefit to Company Before Revenue Protection | School District Revenue Losses | Estimated Net Tax Benefits |
|-------------------|-------------|---------------|-------------------------|---------------|----------------------|--------------------------|-------------------------|----------------------------------|--|--------------------------------|----------------------------|
| Pre-Year 1 | 2016-17 | \$24,500,000 | \$24,500,000 | \$0 | \$1.150 | \$281,750 | \$281,750 | \$0 | \$0 | \$0 | \$0 |
| 1 | 2017-18 | \$78,552,500 | \$20,000,000 | \$58,552,500 | \$1.150 | \$903,354 | \$230,000 | \$673,354 | \$673,354 | -\$771,363 | -\$98,009 |
| 2 | 2018-19 | \$76,263,163 | \$20,000,000 | \$56,263,163 | \$1.150 | \$877,026 | \$230,000 | \$647,026 | \$647,026 | \$0 | \$647,026 |
| 3 | 2019-20 | \$74,042,252 | \$20,000,000 | \$54,042,252 | \$1.150 | \$851,486 | \$230,000 | \$621,486 | \$621,486 | \$0 | \$621,486 |
| 4 | 2020-21 | \$71,887,724 | \$20,000,000 | \$51,887,724 | \$1.150 | \$826,709 | \$230,000 | \$596,709 | \$596,709 | \$0 | \$596,709 |
| 5 | 2021-22 | \$69,791,092 | \$20,000,000 | \$49,791,092 | \$1.150 | \$802,598 | \$230,000 | \$572,598 | \$572,598 | \$0 | \$572,598 |
| 6 | 2022-23 | \$67,757,360 | \$20,000,000 | \$47,757,360 | \$1.150 | \$779,210 | \$230,000 | \$549,210 | \$549,210 | \$0 | \$549,210 |
| 7 | 2023-24 | \$65,784,639 | \$20,000,000 | \$45,784,639 | \$1.150 | \$756,523 | \$230,000 | \$526,523 | \$526,523 | \$0 | \$526,523 |
| 8 | 2024-25 | \$63,871,100 | \$20,000,000 | \$43,871,100 | \$1.150 | \$734,518 | \$230,000 | \$504,518 | \$504,518 | \$0 | \$504,518 |
| 9 | 2025-26 | \$62,014,967 | \$20,000,000 | \$42,014,967 | \$1.150 | \$713,172 | \$230,000 | \$483,172 | \$483,172 | \$0 | \$483,172 |
| 10 | 2026-27 | \$60,214,518 | \$20,000,000 | \$40,214,518 | \$1.150 | \$692,467 | \$230,000 | \$462,467 | \$462,467 | \$0 | \$462,467 |
| 11 | 2027-28 | \$58,468,082 | \$58,468,082 | \$0 | \$1.100 | \$643,149 | \$643,149 | \$0 | \$0 | \$0 | \$0 |
| 12 | 2028-29 | \$56,774,040 | \$56,774,040 | \$0 | \$1.150 | \$652,901 | \$652,901 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2029-30 | \$55,130,818 | \$55,130,818 | \$0 | \$1.150 | \$634,004 | \$634,004 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2030-31 | \$53,536,894 | \$53,536,894 | \$0 | \$1.150 | \$615,674 | \$615,674 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2031-32 | \$51,990,787 | \$51,990,787 | \$0 | \$1.150 | \$597,894 | \$597,894 | \$0 | \$0 | \$0 | \$0 |
| | | | | | | \$11,362,435 | \$5,725,373 | \$5,637,062 | \$5,637,062 | -\$771,363 | \$4,865,699 |

Note: School district revenue-loss estimates are subject to change based on numerous factors, including:

- Legislative and Texas Education Agency administrative changes to the underlying school finance formulas used in these calculations.
- Legislative changes addressing property value appraisals and exemptions.
- Year-to-year appraisals of project values and district taxable values.
- Changes in school district tax rates and student enrollment.

Attachment E

Taxable Value of Property



Window on State Government

Susan Combs Texas Comptroller of Public Accounts

2013 ISD Summary Worksheet

109/Hill

109-904/Hillsboro ISD

| Category | Local Tax Roll Value | 2013 WTD Mean Ratio | 2013 PTAD Value Estimate | 2013 Value Assigned |
|-----------------------------|----------------------|---------------------|--------------------------|---------------------|
| A. Single-Family Residences | 182,348,246 | N/A | 182,348,246 | 182,348,246 |
| B. Multi-Family Residences | 10,259,770 | N/A | 10,259,770 | 10,259,770 |
| C1. Vacant Lots | 6,924,301 | N/A | 6,924,301 | 6,924,301 |
| C2. Colonia Lots | 0 | N/A | 0 | 0 |
| D1. Rural Real(Taxable) | 7,991,742 | N/A | 7,991,742 | 7,991,742 |
| D2. Real Prop Farm & Ranch | 3,426,450 | N/A | 3,426,450 | 3,426,450 |
| E. Real Prop NonQual Acres | 55,025,109 | N/A | 55,025,109 | 55,025,109 |
| F1. Commercial Real | 127,136,779 | N/A | 127,136,779 | 127,136,779 |
| F2. Industrial Real | 14,057,810 | N/A | 14,057,810 | 14,057,810 |
| G. Oil, Gas, Minerals | 4,472,650 | N/A | 4,472,650 | 4,472,650 |
| J. Utilities | 49,715,281 | N/A | 49,715,281 | 49,715,281 |
| L1. Commercial Personal | 94,683,040 | N/A | 94,683,040 | 94,683,040 |
| L2. Industrial Personal | 28,043,080 | N/A | 28,043,080 | 28,043,080 |
| M. Other Personal | 2,598,260 | N/A | 2,598,260 | 2,598,260 |
| N. Intangible | | | | |

| | | | | |
|--------------------------|-------------|-----|-------------|-------------------|
| Pers/Uncert | 0 | N/A | 0 | 0 |
| O. Residential Inventory | 496,640 | N/A | 496,640 | 496,640 |
| S. Special Inventory | 972,780 | N/A | 972,780 | 972,780 |
| Subtotal | 588,151,938 | | 588,151,938 | 588,151,938 |
| Less Total Deductions | 66,142,119 | | 66,142,119 | 66,142,119 |
| Total Taxable Value | 522,009,819 | | 522,009,819 | 522,009,819 T2 |

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T6 will be the same as T7 through T12.

Value Taxable For M&O Purposes

| T1 | T2 | T3 | T4 | T5 | T6 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 541,553,845 | 522,009,819 | 541,553,845 | 522,009,819 | 525,220,386 | 525,220,386 |

| Loss To the Additional \$10,000 Homestead Exemption | 50% of the loss to the Local Optional Percentage Homestead Exemption |
|---|--|
| 19,544,026 | 0 |

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

T5 = T2 before the loss to the tax ceiling reduction

T6 = T5 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

| T7 | T8 | T9 | T10 | T11 | T12 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 541,553,845 | 522,009,819 | 541,553,845 | 522,009,819 | 525,220,386 | 525,220,386 |

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

T11 = T8 before the loss to the tax ceiling reduction

T12 = T11 minus 50% of the loss to the local optional percentage homestead exemption

The PVS found your local value to be valid, and local value was certified

Attachment F

TEA's Facilities Value

July 10, 2014

Christopher Teague, President
Board of Trustees
Hillsboro Independent School District
121 East Franklin Street
Hillsboro, TX 76645-2137

Dear Dr. Teague:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed IKO Southwest project on the number and size of school facilities in Hillsboro Independent School District (HISD). Based on an examination of HISD enrollment and the number of potential new jobs, the TEA has determined that the IKO Southwest project should not have a significant impact on the number or size of school facilities in HISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you have any questions.

Sincerely,

Al McKenzie, Manager
Foundation School Program Support

AM/rk

Attachment G

Participation Agreement

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE
OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES**

by and between

HILLSBORO INDEPENDENT SCHOOL DISTRICT

and

IKO SOUTHWEST INC.

(Texas Taxpayer ID # 10206360074)

TEXAS COMPTROLLER APPLICATION NUMBER 1006

Dated

November 10, 2014

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR
SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES**

STATE OF TEXAS §

COUNTY OF HILL §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES, hereinafter referred to as this “*Agreement*,” is executed and delivered by and between the **HILLSBORO INDEPENDENT SCHOOL DISTRICT**, hereinafter referred to as “District,” a lawfully created independent school district within the State of Texas operating under and subject to the Texas Education Code, and **IKO SOUTHWEST INC.**, Texas Taxpayer Identification Number 10206360074 hereinafter referred to as “*Applicant*.” Applicant and District are hereinafter sometimes referred to individually as a “*Party*” and collectively as the “*Parties*.”

RECITALS

WHEREAS, on April 7, 2014, the Superintendent of Schools of the Hillsboro Independent School District, acting as agent of the Board of Trustees of District, received from Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code;

WHEREAS, the Board of Trustees has acknowledged receipt of the Application, and along with the requisite application fee as established pursuant to Section 313.025(a) of the Texas Tax Code and Local District Policy CCG (Local), and agreed to consider the Application;

WHEREAS, the Application was delivered to the Texas Comptroller’s Office for review pursuant to Section 313.025(a-1) of the Texas Tax Code; and,

WHEREAS, the District and Texas Comptroller’s Office have determined that the Application is complete and that June 11, 2014 is the Application Review Start Date as that terms is defined by 34 Tex. Admin. Code 9.1051;

WHEREAS, pursuant to 34 Tex. Admin. Code § 9.1054, the Application was delivered for review to the Hill County Appraisal District established in Hill County, Texas (the “Hill County Appraisal District”), pursuant to Section 6.01 of the Texas Tax Code;

WHEREAS, the Texas Comptroller’s Office reviewed the Application pursuant to Section 313.025 of the Texas Tax Code, conducted an economic impact evaluation pursuant to Section 313.026 of the Texas Tax Code, and on August 7, 2014, issued a certificate for limitation on appraised value of the property described in the Application and provided the certificate to the District;

WHEREAS, the Board of Trustees has reviewed and carefully considered the economic impact evaluation and certificate for limitation on appraised value submitted by the Texas Comptroller's Office pursuant to Section 313.026 of the Texas Tax Code;

WHEREAS, on November 10, 2014, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District;

WHEREAS, on November 10, 2014, the Board of Trustees made factual findings pursuant to Section 313.025(f) of the Texas Tax Code, including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) Applicant is eligible for the Limitation on Appraised Value of Applicant's Qualified Property; (iii) the Project proposed by Applicant is reasonably likely to generate tax revenue in an amount sufficient to offset District's maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the Limitation Period; (iv) the limitation on appraised value is a determining factor in Applicant's decision to invest capital and construct the Project in this State; and (v) this Agreement is in the best interest of District and the State of Texas;

WHEREAS, on November 10, 2014, the Texas Comptroller's Office approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes; and

WHEREAS, November 10, 2014, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the Board President and Secretary to execute and deliver such Agreement to the Applicant; and

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, the Parties agree as follows:

ARTICLE I **DEFINITIONS**

Section 1.1 DEFINITIONS.

Wherever used herein, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning. Words or terms defined in 34 TEX. ADMIN. CODE §9.1051 and not defined in this Agreement shall have the meanings provided by 34 TEX. ADMIN. CODE §9.1051.

"Act" means the Texas Economic Development Act set forth in Chapter 313 of the Texas Tax Code, as amended.

"Agreement" means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented as approved pursuant to Section 10.2.

“Applicable School Finance Law” means Chapters 41 and 42 of the TEXAS EDUCATION CODE, the Texas Economic Development Act (Chapter 313 of the TEXAS TAX CODE), Chapter 403, Subchapter M, of the Texas Government Code applicable to District, and the Constitution and general laws of the State applicable to the school districts of the State, including specifically, the applicable rules and regulations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State, and judicial decisions construing or interpreting any of the above. The term also includes any amendments or successor statutes that may be adopted in the future that could impact or alter the calculation of Applicant’s ad valorem tax obligation to District, either with or without the limitation of property values made pursuant to this Agreement.

“Applicant” means IKO Southwest, Inc., (Texas Taxpayer ID # 10206360074), the company listed in the Preamble of this Agreement and that listed as the Applicant on the Application as of the Application Approval Date. The term “Applicant” shall also include Applicant’s assigns and successors-in-interest as approved according to Section 10.2 of this Agreement.

“Applicant’s Qualified Investment” means the Qualified Investment of the Applicant during the Qualifying Time Period and as more fully described in Section 3.3 of this Agreement.

“Application” means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with District by Applicant on April 7, 2014. The term includes all forms required by Comptroller, the schedules attached thereto, and all other documentation submitted by Applicant for the purpose of obtaining an Agreement with District. The term also includes all amendments and supplements thereto submitted by Applicant.

“Application Approval Date” means the date that the Application is approved by the Board of Trustees of District and as further identified in Section 2.3.B of this Agreement.

“Application Review Start Date” means the later date of either the date on which District issues its written notice that Applicant has submitted a completed application or the date on which Comptroller issues its written notice that Applicant has submitted a completed application and as further identified in Section 2.3.A of this Agreement.

“Appraised Value” shall have the meaning assigned to such term in Section 1.04(8) of the Texas Tax Code.

“Appraisal District” means the Hill County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Hillsboro Independent School District.

"Comptroller" means the Texas Comptroller of Public Accounts, or the designated representative of the Texas Comptroller of Public Accounts acting on behalf of Comptroller.

"Comptroller's Rules" means the applicable rules and regulations of Comptroller set forth in Chapter 34 Texas Administrative Code, Chapter 9, Subchapter F, together with any court or administrative decisions interpreting same.

"County" means Hill County, Texas.

"District" or "School District" means the Hillsboro Independent School District, being a duly authorized and operating school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter C of the Act applies. The term also includes any successor independent school district or other successor governmental authority having the power to levy and collect ad valorem taxes for school purposes on Applicant's Qualified Property or the Applicant's Qualified Investment.

"Final Termination Date" means the last date of the final year in which Applicant is required to Maintain Viable Presence and as further identified in Section 2.3.E of this Agreement.

"Force Majeure" means those causes generally recognized under Texas law as constituting impossible conditions. Each party must inform the other in writing with proof of receipt within three business days of the existence of such force majeure or otherwise waive this right as a defense.

"Land" means the real property described on **EXHIBIT 2**, which is attached hereto and incorporated herein by reference for all purposes.

"Maintain Viable Presence" means (i) the development, construction and operation during the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered; (ii) the retention during the term of this Agreement of the number of New Qualifying Jobs set forth in its Application by Applicant; (iii) and continue the average weekly wage paid by Applicant for all Non-Qualifying Jobs created by Applicant that exceeds the county average weekly wage for all jobs in the county where the administrative office of District is maintained.

"M&O Amount" shall have the meaning assigned to such term in Section 3.2 of the Agreement.

"Maintenance and Operations Revenue" or "M&O Revenue" means (i) those revenues which District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Section 45.002 of the Texas Education Code and Article VII § 3 of the Texas Constitution, plus (ii) all State revenues to which the District is or may be entitled under Chapter 42 of the Texas Education Code or any other statutory provision as well as any amendment or successor statute to these provisions, plus (iii) any indemnity payments received by the District

under other agreements similar to this Agreement to the extent that such payments are designed to replace District M&O Revenue lost as a result of such similar agreements, less (iv) any amounts necessary to reimburse the State of Texas or another school district for the education of additional students pursuant to Chapter 41 of the Texas Education Code.

“Market Value” shall have the meaning assigned to such term in Section 1.04(7) of the TEXAS TAX CODE.

“New Qualifying Jobs” means the total number of jobs to be created and maintained by Applicant after the Application Approval Date in connection with the Project which is the subject of its Application that meet the criteria of qualifying job as defined in Section 313.021(4) of the TEXAS TAX CODE.

“Qualified Investment” has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by Comptroller’s Rules, as these provisions existed on the Application Review Start Date.

“Non-Qualifying Jobs” means the number of New Non-Qualifying Jobs, as defined in 34 TAC §9.0151, to be created and maintained by the Applicant after the Application Approval Date in connection with the Project which is the subject of its Application.

“Qualified Property” has the meaning set forth in Chapter 313 of the Texas Tax Code and as interpreted by Comptroller’s Rules and the Texas Attorney General, as these provisions existed on the date of the Application is approved by District,

“Qualifying Time Period” means the period that begins on the date of approval of this Agreement by District’s Board of Trustees and ends on December 31st of the second Tax Year that begins after such date of approval as is defined in Section 313.021(4)(A) of the Texas Tax Code and during which Applicant shall make investment on the land where the qualified property in the amount required by the Act, the Comptroller’s rules, and this Agreement and as further identified in Section 2.3.C of this Agreement.

“Revenue Protection Amount” means the amount calculated pursuant to Section 3.2 of this Agreement.

“State” means the State of Texas.

“Substantive Document” means a document or other information or data in electronic media determined by the Comptroller to substantially involve or include information or data significant to an application, the evaluation or consideration of an application, or the agreement or implementation of an agreement for limitation of appraised value pursuant to Chapter 313 of the Texas Tax Code. The term includes, but is not limited to, any application requesting a limitation on appraised value and any amendments or supplements, any economic impact evaluation made in connection with an application, any agreement between applicant and the

school district and any subsequent amendments or assignments, and any school district written finding or report filed with the comptroller as required under this subchapter.

“Supplemental Payment” has the meaning as set forth in Article VI of this Agreement.

“Tax Limitation Amount” means the maximum amount which may be placed as the Appraised Value on Applicant’s Qualified Property for each tax year of the Tax Limitation Period of this Agreement pursuant to Section 313.054 [or 313.027] of the Texas Tax Code.

“Tax Limitation Period” means the Tax Years for which the Applicant’s Qualified Property is subject to the Tax Limitation Amount and as further identified in Section 2.3.D of this Agreement.

“Tax Year” shall have the meaning assigned to such term in Section 1.04(13) of the Texas Tax Code (*i.e.*, the calendar year).

“Taxable Value” shall have the meaning assigned to such term in Section 1.04(10) of the TEXAS TAX CODE.

“Texas Education Agency Rules” means the applicable rules and regulations adopted by the Texas Commissioner of Education in relation to the administration of Chapter 313 of the Texas Tax Code, which are set forth at 19 Tex. Admin. Code, Part 2, together with any court or administrative decisions interpreting same.

ARTICLE II

AUTHORITY, PURPOSE AND LIMITATION AMOUNTS

Section 2.1. AUTHORITY. This Agreement is executed by District as its written agreement with Applicant pursuant to the provisions and authority granted to District in Section 313.027 of the TEXAS TAX CODE.

Section 2.2. PURPOSE. In consideration of the execution of and subsequent performance of the terms and obligations by Applicant pursuant to this Agreement, identified in Section 2.5 and 2.6 and as more fully specified in this Agreement, the value of Applicant’s Qualified Property listed and assessed by the County Appraiser for District’s operation and maintenance ad valorem property tax shall be the Tax Limitation Amount as set forth in Section 2.4 of this Agreement during the Tax Limitation Period.

Section 2.3. TERM OF THE AGREEMENT.

A. The Application Review Start Date for this Agreement is June 11, 2014, which will determine Applicant’s Qualified Property and applicable wage standard.

B. The Application approval date for this Agreement is November 10, 2014, which will determine the Qualifying Time Period.

C. The Qualifying Time Period for this Agreement:

1. Starts on November 10, 2014 Application Approval Date; and

2. Ends on December 31, 2016; being the second complete tax year after the effective date of this agreement]

D. The Tax Limitation Period for this Agreement:

1. Starts on January 1, 2017
2. Ends on December 31, 2026.

E. The Final Termination Date for this Agreement is December 31, 2031.

F. This Agreement, and the obligations and responsibilities created by this Agreement, shall be and become effective on the Application Approval Date identified in Subsection B. This Agreement, and the obligation and responsibilities created by this Agreement, terminate on the Final Termination Date identified in Subsection E, unless extended by the express terms of this Agreement.

2.4. TAX LIMITATION. So long as Applicant makes the Qualified Investment as defined by Section 2.5 below, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, on January 1 of each Tax Year of the Tax Limitation Period, the Appraised Value of the Applicant's Qualified Property for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- A. The Market Value of the Applicant's Qualified Property; or
- B Twenty Million Dollars (\$20,000,000.00) .

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Section 313.052 of the TEXAS TAX CODE.

2.5. QUALIFIED INVESTMENT FOR TAX LIMITATION ELIGIBILITY. In order to be eligible and entitled to receive the value limitation identified in 2.4 for the Qualified Property identified in Article III, Applicant shall:

- A. have completed Qualified Investment in the amount of \$20,000,000.00 by the end of the Qualifying Time Period;
- B. have created the number of Qualifying Jobs specified in, and in the time period specified on, Schedule C of the Application; and
- C. be paying the average weekly wage of all jobs in the county in which District's administrative office is located for all non-qualifying jobs created by Applicant.

2.6. TAX LIMITATION OBLIGATIONS. In order to receive and maintain the limitation authorized by 2.4, Applicant shall:

- A. provide payments to District sufficient to protect the future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV;
- B. provide such supplemental payments as more fully specified in Article VI; and
- C. create and Maintain Viable Presence on and/or with the Qualified Property and perform additional obligations as more fully specified in Article VII of this Agreement.

ARTICLE III **QUALIFIED PROPERTY**

SECTION 3.1. LOCATION WITHIN ENTERPRISE OR REINVESTMENT ZONE. At the time of making the Qualified Investment and during the period starting with the Application Approval

Date and ending on the Final Termination Date, the Land is and shall be within an area designated either as an enterprise zone, pursuant to Chapter 2303 of the Texas GOVERNMENT CODE, or a reinvestment zone, pursuant to Chapter 311 or 312 of the TEXAS TAX CODE. The legal description of such zone is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 3.2. LOCATION OF QUALIFIED PROPERTY AND INVESTMENT. The Land on which the Qualified Property shall be located and on which the Qualified Investment shall be made is described on **EXHIBIT 2** which is attached hereto and incorporated herein by reference for all purposes. The Parties expressly agree that the boundaries of the Land may not be materially changed from its configuration described in **EXHIBIT 2** unless amended pursuant to the provisions of Section 10.2 of this Agreement.

Section 3.3. DESCRIPTION OF QUALIFIED PROPERTY. The Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes. Property which is not specifically described in **EXHIBIT 3** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Property for purposes of this Agreement, unless by official action the Board of Trustees provides that such other property is a part of the Applicant's Qualified Property for purposes of this Agreement in compliance with Section 313.027(e) of the Texas Tax Code, the Comptroller's rules, and Section 10.2 of this Agreement,.

Section 3.4. CURRENT INVENTORY OF QUALIFIED PROPERTY. If at any time after the Application Approval Date there is a material change in the Qualified Property located on the Land described in **EXHIBIT 2**; or, upon a reasonable request of District, Comptroller, the Appraisal District, or the State Auditor's Office, Applicant shall provide to District, Comptroller, the Appraisal District or the State Auditor's Office a specific and detailed description of the tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Land to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such described property on the Land.

Section 3.5. QUALIFYING USE. Applicant's Qualified Property described above in Section 2.3 qualifies for a tax limitation agreement under Section 313.024(b) (1) of the Texas Tax Code as a manufacturing facility.

ARTICLE IV

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 4.1. INTENT OF THE PARTIES. Subject to the limitations contained in this Agreement (including Section 7.1, below), it is the intent of the Parties that the District shall, in accordance with the provisions of Texas Tax Code §313.027(f)(1), be compensated by the Applicant for: (i) any monetary loss that the District incurs in its M&O Revenue; or (ii) for any new uncompensated operating cost incurred as a sole and direct result of, or on account of entering into, this Agreement, after taking into account any payments to be made under this Agreement. Subject to the limitations contained in this Agreement, it is the intent of the Parties that the risk of any negative financial consequence to the District in making the decision to enter into this

Agreement will be borne by the Applicant and not by the District, and paid by the Applicant to the District in addition to any and all support due under Article VI. Consistent with this intent and prior to limitation on appraised value and prior to Applicant receiving any tax benefit hereunder, at any time on or before the end of the Qualifying Time Period on December 31, 2016, Applicant may terminate this Agreement upon written notice to the District and the same shall be null and void and Applicant shall have no further obligations hereunder.

Section 4.2. CALCULATING THE AMOUNT OF LOSS OF REVENUES BY THE DISTRICT.

The amount to be paid by the Applicant to compensate the District for loss of M&O Revenue resulting from, or on account of, this Agreement for each year during the term of this Agreement is referred to herein as the M&O Amount, and it shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

(a) The M&O Amount owed by the Applicant to District means the Original M&O Revenue *minus* the New M&O Revenue;

Where:

- (i) "Original M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Qualified Property and/or Qualified Investment been subject to the ad valorem maintenance and operations tax at the tax rate actually adopted by the District for the applicable year.
- (ii) "New M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District actually received for such school year, after all adjustments have been made to M&O Revenue because of any portion of this Agreement.

(b) In making the calculations required by this Section 4.2:

- (i) The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- (ii) For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%).
- (iii) If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 4.2 results in a negative number, the negative number will be considered to be zero.

- (iv) All calculations made under Section 4.2(B)(ii) for the Tax Limitation Period will reflect the Tax Limitation Amount for such year.
- (v) All calculations made under this Section 4.2 shall be made by a methodology which isolates the full M&O Revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, or on account of or otherwise arising out of any other factors not contained in this Agreement.

Section 4.3 REVENUE PROTECTION PAYMENT LIMITATION. Notwithstanding any other provision of this Agreement to the contrary, in the event the payment due to District under Section 4.2 of this Agreement for the 2016-2017 school year exceeds the \$787,106 District revenue loss forecast by Moak Casey in support of the Application by more than 10% (*i.e.*, is more than \$865,817), such excess shall be payable by Applicant to District in four equal annual payments on the next four consecutive due dates defined under Section 4.7 of this Agreement.

Section 4.4. COMPENSATION FOR LOSS OF OTHER REVENUES. In addition to the amounts determined pursuant to Section 4.2 above, the Applicant, on an annual basis, shall also indemnify and reimburse the District for the following:

- (a) All non-reimbursed increases in District costs paid to the Appraisal District caused by increased appraised values arising solely from the Project.
- (b) On an annual basis, Applicant shall also indemnify and reimburse the District for all non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses related to the Project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional classroom personnel to accommodate a temporary increase in student enrollment attributable to the Project. Applicant shall have the right to contest the findings of the District's external auditor pursuant to Section 4.8 herein.

Section 4.5. CALCULATIONS TO BE MADE BY THIRD PARTY. All calculations under this Agreement shall be made annually by a competent and qualified independent third party (the "Third Party") selected each year by the District with consent of the Applicant, which shall not be unreasonably withheld.

Section 4.6. DATA USED FOR CALCULATIONS. The calculations under this Agreement shall be initially based upon the valuations that are placed upon all taxable property in the District, including Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code Section 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to

the Third Party selected under Section 4.4. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll, or any other changes in student counts, tax collections, or other data.

Section 4.7. DELIVERY OF CALCULATIONS. On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 4.4 of this Agreement shall forward to the Parties the calculations required under Sections 4.2 and/or 4.3 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit its invoice for fees for services rendered to the Parties, if any fees are being claimed. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation and fee for a period of five (5) years after payment. The Applicant shall not be liable for any of Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement or the fee paid by the Applicant to the Third Party pursuant to Section 4.7, if such fee is timely paid.

Section 4.8. PAYMENT BY APPLICANT. The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 of the year next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any actual amount billed by the Third Party for all calculations pursuant to Section 4.6 of this Agreement, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for: (i) the preparation and filing of any financial reports required by any state agency; (ii) required disclosures; or (iii) other reimbursement applications filed with or sent to the State of Texas which are, or may be, required under the terms or because of the execution of this Agreement. The Applicant shall not be responsible for the payment of expenses under this Article IV for any year in excess of Ten Thousand Dollars (\$10,000.00).

Section 4.9. RESOLUTION OF DISPUTES. Should the Applicant disagree with the calculations presented pursuant to this Article IV, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days of receipt of the calculation. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the calculations. Thereafter, the Applicant may, in writing, appeal the Third Party's final determination to the District's Board of Trustees within thirty (30) days of the final determination of the calculations. If Applicant disagrees with a determination by the Board of Trustees as to the

amounts due under this Article IV, it may mediate such determination pursuant to the dispute resolution procedures set forth in Section 9.5 of this Agreement.

Section 4.10. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT. In the event that, at the time the Third Party selected under Section 4.4 makes its calculations under this Agreement, the Applicant has appealed the taxable values placed by the Appraisal District on the Qualified Property, and the appeal of the appraised values are unresolved, the Third Party shall base its calculations upon the values initially placed upon the Qualified Property by the Appraisal District.

In the event that the result of an appraisal appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed by the Appraisal District, once the determination of a new value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years. In the event the new calculations result in the change of any amount payable by the Applicant under this Agreement, the party from whom the adjustment is payable shall remit such amounts to the counter-party within thirty (30) days of the receipt of the new calculations from the Third Party.

Section 4.11. EFFECT OF STATUTORY CHANGES. Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 7.1, in the event that by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District will receive less M&O Revenue, or, if applicable, will be required to increase its payment of funds to the State, or to other governmental entities including the Appraisal District, because of its participation in this Agreement, the Applicant shall make payments to the District, that are necessary to offset any negative impact on the District as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District. The District shall use reasonable efforts to mitigate the economic effects of any law changes described in this Section 4.10, and if Applicant disagrees with the calculation of adverse impact described in this Section it shall have the right to appeal such calculations pursuant to Section 9.5 of this Agreement.

ARTICLE V
PAYMENT OF EXTRAORDINARY EDUCATION RELATED EXPENSES

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ARTICLE VI
SUPPLEMENTAL PAYMENTS
TECHNICAL TRAINING PROGRAM

SECTION 6.1. TECHNICAL TRAINING PROGRAMS AS SUPPLEMENTAL PAYMENT. AS AN INTEGRAL PART OF THIS AGREEMENT, AND IN CONFORMANCE WITH THE REQUIREMENTS OF SECTION 28.002(G-1) OF THE TEXAS EDUCATION CODE, THE DISTRICT WILL OFFER COURSES OR OTHER ACTIVITIES, INCLUDING AN APPRENTICESHIP OR TRAINING PROGRAM OFFERING HOURS NEEDED FOR ITS STUDENTS TO OBTAIN AN INDUSTRY-RECOGNIZED CREDENTIAL OR CERTIFICATE IN ONE OR MORE AREAS OF EDUCATION RELATED TO THE OPERATIONS UNDERTAKEN BY APPLICANT UNDER THIS AGREEMENT. IN DEVELOPING THESE COURSES THE DISTRICT WILL, PURSUANT TO SECTION 28.002(G-1)(1) OF THE TEXAS EDUCATION CODE PARTNER WITH APPLICANT TO DEVELOP SUCH COURSES OR OTHER ACTIVITIES AS WILL ALLOW STUDENTS TO ENTER:

- (a) a career or technology training program in the District's region of the state;
- (b) an institution of higher education without remediation;
- (c) an apprenticeship training program; or,
- (d) an internship required as part of accreditation toward an industry-recognized credential or certificate for course credit.

Applicant agrees that during the entire term of this Agreement, and in accordance with Section 28.002(g-1)(1) of the Texas Education Code, it will provide support (including annual financial or in-kind donations of up to \$5,000, but in no event to exceed the cap allowed by Section 313.027(i) of the Texas Tax Code) for District-operated technical training programs for the education and development of technical skills necessary for individuals seeking employment in the manufacturing industry in which Applicant participates (such support shall be referred to in this Agreement as the “*supplemental payment*”). Such support shall consist of:

- (i) Conferring with the District for the purpose of identifying opportunities for employees of Applicant to participate in technical training programs operated by the District for the benefit of its students, and programs sponsored by the District;
- (ii) Disseminating technical information, at conferences with Applicant’s employees for the purpose of developing curriculum and program specifications to enhance the relevance of the District’s training program;

- (iii) Maintaining a Manufacturing Internship (or “*Internship*”) with the objective to familiarize the students with various career choices available in a manufacturing facility and provide exposure to working in a manufacturing environment, as follows:
 - (A) Applicant shall offer one Internship in each academic term (i.e. – school semester) of the year, up to a maximum of 3 Internships per calendar year;
 - (B) Eligibility: high school students in their senior year, minimum 18 years old, who have a serious interest in manufacturing, who have high marks in Math and Sciences, and who have been highly recommended by their school principal;
 - (C) Each Internship shall accommodate 6 to 8 students;
 - (D) Each Internship shall be for a total of 6-8 hours, to be spread over one or multiple days, at Applicant’s discretion. The exact dates and times for each Internship shall be determined mutually by Applicant and the District;
 - (E) Each student, their parents and the District shall sign an agreement with Applicant for the Internship that will cover topics such as expected behavior, safety rules, confidentiality (e.g. – no photos), liability, etc. The agreement shall be written by Applicant;
 - (F) Example of what a sessions might cover:
 - 1. Overview of the factory and of the products that are manufactured, using diagrams, product samples, etc.
 - 2. Tour of the plant, control rooms, Lab/QC programs, maintenance areas
 - 3. Sessions with some members of the Plant Leadership Team
 - 4. Shipping, receiving, warehouse, and storerooms
 - 5. Administrative functions – purchasing, HSE, etc.
 - 6. Education and experience required for general positions
 - (G) Applicant shall have sole authority to design, manage, and operate the Internship, including all of its agreements, understandings, content and structure. Applicant shall have the sole authority to make any changes to the Internship as it deems appropriate.

- (H) Applicant will start offering the Internship in the second academic session following the date that Applicant's Project has become operational.
- (iv) Considering qualified graduates of the District's technical training program and/or qualified graduates of programs sponsored by the District for available employment positions with Applicant.

Throughout the entire term of this Agreement, Applicant shall not be required to make any payments to the District pursuant to this Article VI.

SECTION 6.2. SUPPLEMENTAL PAYMENT LIMITATION.

A. Notwithstanding the foregoing, the total annual supplement payment made pursuant to this article shall:

- i. not exceed in any calendar year of this Agreement an amount equal to the greater of One Hundred Dollars (\$100.00) per student per year in average daily attendance, as defined by Section 42.005 of the TEXAS EDUCATION CODE, or Fifty Thousand Dollars (\$50,000.00) per year; and

- ii. only be made during the period starting the first year of the Qualifying Time Period and ending December 31 of the third year following the end of the Tax Limitation Period.

B. This limitation does not apply to amounts described by Section 313.027(f)(1)-(2) of the TEXAS TAX CODE as implemented in Articles IV and V of this Agreement.

C. For purposes of this Agreement, the amount of the Annual Limit shall be **\$186,000** based upon the District's 2014-2015 Average Daily Attendance of 1,860, rounded to the whole number.

ARTICLE VII

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 7.1 ANNUAL LIMITATION. Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year of the Tax Limitation Period, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by Applicant to District for such Tax Year, plus the sum of all payments otherwise due from Applicant to District under Articles IV, V, and VI of this Agreement with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that Applicant would have paid to District for such Tax Year (determined by using District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Section 4.2 of this Agreement, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from Applicant to District under Articles IV, V, and VI shall be reduced until such excess is eliminated.

Section 7.2 OPTION TO TERMINATE AGREEMENT. Section 7.2. OPTION TO TERMINATE AGREEMENT. In the event that any payment otherwise due from Applicant to District under Article IV, Article V, and/or Article VI of this Agreement with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 7.1 above, then the Applicant shall have the option to terminate this Agreement. Applicant may exercise such option to

terminate this Agreement by notifying District of its election in writing not later than the July 31 of the year next following the Tax Year with respect to which a reduction under Section 7.1 is applicable. Any termination of this Agreement under the foregoing provisions of this Section 7.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred.

Section 7.3. EFFECT OF OPTIONAL TERMINATION. Upon the exercise of the option to terminate pursuant to Section 7.2, this Agreement shall terminate and be of no further force or effect; provided, however, that:

A. the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged; and

B. the provisions of this Agreement regarding payments, records and dispute resolution shall survive the termination or expiration dates of this Agreement.

ARTICLE VIII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 8.1. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE. In order to receive and maintain the limitation authorized by 2.4 in addition to the other obligations required by this Agreement, Applicant shall Maintain Viable Presence in District commencing at the start of the Tax Limitation Period through the Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, Applicant shall not be in breach of, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure, provided Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure. The Final Termination Date will only be extended for the mutually agreed length of the Force Majeure.

Section 8.2. REPORTS. In order to receive and maintain the limitation authorized by 2.4 in addition to the other obligations required by this Agreement, Applicant shall submit the following reports completed by Applicant to the satisfaction of Comptroller on the dates indicated on the form and starting on the first such due date after the Application Approval Date:

A. The Annual Eligibility Report, Form 50-772 located at Comptroller website <http://www.window.state.tx.us/taxinfo/taxforms/50-772.pdf>;

B. The Biennial Progress Report, Form 50-773, located at Comptroller website <http://www.window.state.tx.us/taxinfo/taxforms/50-773.pdf> ; and

C. The Job Creation Compliance Report, Form 50-825, located at the Comptroller website http://www.texasahead.org/tax_programs/chapter313/forms.php.

Section 8.3. COMPTROLLER'S ANNUAL REPORT ON CHAPTER 313 AGREEMENTS. During the term of this Agreement, both Parties shall provide Comptroller with all information reasonably necessary for Comptroller to assess performance under this Agreement for the purpose of issuing Comptroller's report, as required by Section 313.032 of the Texas Tax Code.

Section 8.4. DATA REQUESTS. During the term of this Agreement, and upon the written request of District, the State Auditor's Office, or Comptroller, the Applicant shall provide the requesting party with all information reasonably necessary for the requesting party to determine whether the Applicant is in compliance with its obligations, including, but not limited to, any employment obligations which may arise under this Agreement.

Section 8.5. SITE VISITS AND RECORD REVIEW. Applicant shall allow authorized employees of District, the Comptroller, the Appraisal District, and/or the State Auditor's Office to have access to Applicant's Qualified Property and/or business records, in accordance with Section 22.07 of the TEXAS TAX CODE, from the Application Review Start Date through the Final Termination Date, in order to inspect the Project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of Applicant's Qualified Property.

A. All inspections will be made at a mutually agreeable time after the giving of not less than forty-eight (48) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of Applicant's Qualified Property.

B. All inspections may be accompanied by one or more representatives of Applicant, and shall be conducted in accordance with Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide District, Comptroller, or the Appraisal District with any technical or business information that is proprietary, a trade secret or is subject to a confidentiality agreement with any third party.

Section 8.6. RIGHT TO AUDIT; SUPPORTING DOCUMENTS; INDEPENDENT AUDITS.

This Agreement is subject to review and audit by the State Auditor pursuant to Section 2262.003 of the Texas Government Code and Section 331.010 (a) of the Texas Tax Code, and the following requirements:

A. District and Applicant shall maintain and retain supporting documents adequate to ensure that claims for the Tax Limitation Amount are in accordance with applicable Comptroller and State of Texas requirements. Applicant and District shall maintain all such documents and other records relating to this Agreement and the State's property for a period of four (4) years after the later of:

- i. date of submission of the final payment;
- ii. Final Termination Date; or
- iii. date of resolution of all disputes or payment.

B. District and Applicant shall make available at reasonable times and upon reasonable notice, and for reasonable periods, all information related to the Applicant's Qualified Property, Qualified Investment, Qualifying Jobs, and wages paid for Non-Qualifying Jobs such as work papers, reports, books, data, files, software, records, calculations, spreadsheets and other supporting documents pertaining to this Agreement, for purposes of inspecting, monitoring, auditing, or evaluating by Comptroller, State Auditor's Office, State of Texas or their authorized representatives. Applicant and District shall cooperate with auditors and other authorized Comptroller and State of Texas representatives and shall provide them with prompt access to all of such property as requested by Comptroller or the State of Texas. By example and not as an

exclusion to other breaches or failures, Applicant's failure to comply with this Section shall constitute a material breach of this Agreement.

C. Comptroller may require, at Applicant's or District's sole cost and expense, as applicable, independent audits by a qualified certified public accounting firm of Applicant's, District's or the Comptroller's books, records, or property. The independent auditor shall provide Comptroller with a copy of such audit at the same time it is provided to Applicant and/or District.

D. In addition to and without limitation on the other audit provisions of this Agreement, pursuant to Section 2262.003 of the Texas Government Code, the State Auditor may conduct an audit or investigation of Applicant or District or any other entity or person receiving funds from the State directly under this Agreement or indirectly through a subcontract under this Agreement. The acceptance of funds by Applicant or District or any other entity or person directly under this Agreement or indirectly through a subcontract under this Agreement acts as acceptance of the authority of the State Auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, Applicant or District or other entity that is the subject of an audit or investigation by the State Auditor must provide the State Auditor with access to any information the state auditor considers relevant to the investigation or audit. This Agreement may be amended unilaterally by Comptroller to comply with any rules and procedures of the state auditor in the implementation and enforcement of Section 2262.003 of the TEXAS GOVERNMENT CODE.

Section 8.7. FALSE STATEMENTS; BREACH OF REPRESENTATIONS. The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application, and any supplements or amendments thereto, without which Comptroller would not have approved this Agreement and District would not executed this Agreement. By signature to this Agreement, Applicant:

A. represents and warrants that all information, facts, and representations contained in the Application are true and correct; and

B. acknowledges that if Applicant submitted its Application with a false statement, signs this Agreement with a false statement, or submits a report with a false statement, or it is subsequently determined that Applicant has violated any of the representations, warranties, guarantees, certifications or affirmations included in the Application or this Agreement, Applicant shall have materially breached this Agreement and the Agreement shall be invalid and void except for the enforcement of the provisions required by 34 Tex. Admin. Code § 9.1053(f)(2)(L).

ARTICLE IX

MATERIAL BREACH OR EARLY TERMINATION

Section 9.1. EVENTS CONSTITUTING MATERIAL BREACH OF AGREEMENT.

Applicant shall be in material breach of this Agreement if it commits one or more of the following acts or omissions:

A. the Application, any Application Supplement, or any Application Amendment on which this Agreement is approved is determined to be inaccurate as to an material representation, information, or fact or is not complete as to any material fact or representation or such application;

B. Applicant failed to have complete Qualified Investment as required by Section 2.5 of this Agreement;

C. Applicant failed to create the number of Qualifying Jobs specified in Schedule C of the Application;

D. Applicant failed to pay the average weekly wage of all jobs in the county in which District's administrative office is located for all Non-Qualifying Jobs created by Applicant;

E. Applicant failed to provide payments to District sufficient to protect the future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV of this Agreement;

F. Applicant failed to provide payments to the District that protect District from the payment of extraordinary education related expenses related to the Project, as more fully specified in Article V of this Agreement;

G. Applicant failed to provide such supplemental payments as more fully specified in Article VI of this Agreement;

H. Applicant failed to create and Maintain Viable Presence on and/or with the Qualified Property as more fully specified in Article VIII of this Agreement;

I. Applicant failed to submit the reports required to be submitted by Section 8.2 to the satisfaction of Comptroller on the dates indicated on the form;

J. Applicant failed to provide the District or Comptroller with all information reasonably necessary for District or Comptroller determine whether Applicant is in compliance with its obligations, including, but not limited to, any employment obligations which may arise under this Agreement;

K. Applicant failed to allow authorized employees of District, Comptroller, the Appraisal District, and/or the State Auditor's Office to have access to Applicant's Qualified Property and/or business records in order to inspect the Project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of Applicant's Qualified Property;

L. Applicant failed to comply with a request by the State Auditor's office to review and audit the Applicant's compliance with the Agreement.

M. Applicant has made any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 of the TEXAS TAX CODE, in excess of the amounts set forth in Articles III and IV, of this Agreement; or

N. Applicant fails either to:

i. Implement a plan to remedy non-compliance as required by Comptroller pursuant to 34 TAC Section 9.1059; or

ii. Pay a penalty assessed by Comptroller pursuant to 34 TAC Section 9.1059.

Section 9.2. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT.

A. In the event that Applicant terminates this Agreement without the consent of District, except as provided in Section 7.2 of this Agreement, or in the event that Applicant fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, after the notice and cure period provided by Section 9.3, then District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, as calculated in accordance with Section 9.3.C on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, Applicant shall be entitled to a credit for all payments made to District pursuant to Article IV, V, and VI of this Agreement.

B. Notwithstanding Section 9.2.A, in the event that District determines that Applicant has failed to Maintain Viable Presence and provides written notice of termination of the Agreement, then Applicant shall pay to District liquidated damages for such failure within thirty (30) days after receipt of such termination notice. The sum of liquidated damages due and payable shall be the sum total of District ad valorem taxes for all of the Tax Years for which a Tax Limitation was granted pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by Applicant to District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 7.5. For purposes of this liquidated damages calculation, Applicant shall be entitled to a credit for all payments made to District pursuant to Article IV, V, and VI. Upon payment of such liquidated damages, Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

C. In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, District shall first determine the base amount of recaptured taxes less all credits under Section 9.2.A owed for each Tax Year during the Tax Limitation Period. District shall calculate penalty or interest for each Tax Year during the Tax Limitation Period in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 9.2.A had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(a) of the Texas Tax Code, or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(c) of the Texas Tax Code, or its successor statute.

Section 9.3. LIMITED STATUTORY CURE OF MATERIAL BREACH. In accordance with the provisions of Section 313.0275 of the Texas Tax Code, for any full tax year which commences after the Project has become operational, Applicant may cure the Material Breaches of this Agreement, defined in Sections 9.1.C. or 9.1.D, above, without the termination of the remaining term of this Agreement. In order to cure its non-compliance with Sections 9.1.C. or 9.1.D for the particular Tax Year of non-compliance only, Applicant may make the liquidated damages payment required by Section 313.0275(b) of the Texas Tax Code, in accordance with the provisions of Section 313.0275(c) of the Texas Tax Code.

Section 9.3. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT.

A. Prior to making a determination that the Applicant has committed a Material Breach of this Agreement, such as making a misrepresentation in the Application, failing to Maintain Viable Presence in District as required by Section 8.1 of this Agreement, failing to make any payment required under this Agreement when due, or has otherwise committed a material breach of this Agreement, District shall provide Applicant with a written notice of the facts which it believes have caused the Material Breach of this Agreement, and if cure is possible, the cure proposed by District. After receipt of the notice, Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that it is not in Material Breach of its obligations under the Agreement, or that it has cured or undertaken to cure any such Material Breach.

B. If the Board of Trustees is not satisfied with such response and/or that such breach has been cured, then the Board of Trustees shall, after reasonable notice to Applicant, conduct a hearing called and held for the purpose of determining whether such breach has occurred and, if so, whether such breach has been cured. At any such hearing, Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a Material Breach of this Agreement has occurred, the date such breach occurred, if any, and whether or not any such breach has been cured. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall also terminate the Agreement and determine the amount of recaptured taxes under Section 9.2.A and B (net of all credits under Section 9.2.A and B), and the amount of any penalty and/or interest under Section 9.2.C that are owed to District.

C. After making its determination regarding any alleged Breach, the Board of Trustees shall cause Applicant to be notified in writing of its determination (a "*Determination of Breach and Notice of Contract Termination.*").

Section 9.4. DISPUTE RESOLUTION.

A. After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 9.3, Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and Within ninety (90) days after the Applicant's receipt of notice of the Board of Trustee's determination of breach under Section 9.3, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then residing in [Insert County Name]County, Texas. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) District shall bear one-half of such mediator's fees and expenses and Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

B. In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such ninety (90) days, District shall have the remedies for

the collection of the amounts determined under Section 7.8 as are set forth in Chapter 33, Subchapters B and C, of the Texas Tax Code for the collection of delinquent taxes. In the event that District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney's fees and a tax lien on Applicant's Qualified Property and Applicant's Qualified Investment pursuant to Section 33.07 of the Texas Tax Code to the attorneys representing District pursuant to Section 6.30 of the Texas Tax Code.

C. In any event where a dispute between District and Applicant under this Agreement cannot be resolved by the Parties, after completing the procedures required above in this Section, either District or Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in any judicial proceeding, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any covenant, agreement or undertaking made by a Party pursuant to this Agreement.

Section 9.5. LIMITATION OF OTHER DAMAGES.

Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, District's damages for such a default shall under no circumstances exceed the greater of either any amounts calculated under Sections 9.2 above, or the monetary sum of the difference between the payments and credits due and owing to Applicant at the time of such default and District taxes that would have been lawfully payable to District had this Agreement not been executed. In addition, District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement. The Parties further agree that the limitation of damages and remedies set forth in this Section 9.5 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 9.6. BINDING ON SUCCESSORS.

In the event of a merger or consolidation of District with another school district or other governmental authority, this Agreement shall be binding on the successor school district or other governmental authority.

ARTICLE X. MISCELLANEOUS PROVISIONS

Section 10.1. INFORMATION AND NOTICES.

A. Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (e.g., by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile transmission, with "answer back" or other "advice of receipt" obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received by facsimile transmission after 5:00 p.m. at the location of the

addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.

B. Notices to District shall be addressed to District's Authorized Representative as follows:

Dr. James Gilcrease, Superintendent
Hillsboro Independent School District
121 East Franklin Street
Hillsboro, TX 76645

C. Notices to Applicant shall be addressed to its Authorized Representative as follows:

Ron Healey
Treasurer
IKO Southwest Inc.
6 Denny Road, Suite 200
Wilmington, DE 19809

or at such other address or to such other facsimile transmission number and to the attention of such other person as Applicant may designate by written notice to District.

Section 10.2. AMENDMENTS TO AGREEMENT; WAIVERS.

A. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties and after completing the requirements of subsection B hereof. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement.

B. By official action of the District's Board of Trustees, this Agreement may only be amended according to the following:

i. Applicant shall submit to District and Comptroller:

A. a written request to amend the Application and this Agreement which shall specify the changes Applicant requests;

B. any changes to the information that was provided in the Application that was approved by District and considered by Comptroller;

C. and any additional information requested by District or Comptroller necessary to evaluate the amendment or modification; and

ii. Comptroller shall review the request and any additional information and provide a revised Comptroller certificate for a limitation within 90 days of receiving the revised Application and, if the request to amend the Application has not been approved by Comptroller by the end of the 90 day period, the request is denied;

iii. If Comptroller has not denied the request, District's Board of Trustees shall approve or disapprove the request before the expiration of 150 days after the request is filed.

C. Any amendment of the Agreement adding additional or replacement Qualified Property pursuant to this Section 10.3 of this Agreement shall:

i. require that all property added by amendment be eligible property as defined by Section 313.024 of the Texas Tax Code;

ii. clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and

iii. define minimum eligibility requirements for the recipient of limited value.

D. This Agreement may not be amended to extend the value limitation time period beyond its ten year statutory term.

Section 10.4. ASSIGNMENT.

Any assignment of the interests of Applicant in this Agreement is considered an amendment to the Agreement and Applicant may only assign this Agreement, or a portion of this Agreement, after complying with the provisions of Section 10.3 regarding amendments to the Agreement.

Section 10.5. MERGER.

This Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

Section 10.6. MAINTENANCE OF COUNTY APPRAISAL DISTRICT RECORDS.

When appraising the Applicant's Qualified Property and the Applicant's Qualified Investment subject to a limitation on Appraised Value under this Agreement, the Chief Appraiser of the Appraisal District shall determine the Market Value thereof and include both such Market Value and the appropriate value thereof under this Agreement in its appraisal records.

Section 10.7. GOVERNING LAW.

This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in the County.

Section 10.8. AUTHORITY TO EXECUTE AGREEMENT.

Each of the Parties represents and warrants that its undersigned representative has been expressly authorized to execute this Agreement for and on behalf of such Party.

Section 10.9. SEVERABILITY.

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 10.9, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 10.10. PAYMENT OF EXPENSES.

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement.

Section 10.11. INTERPRETATION.

When a reference is made in this Agreement to a Section, Article or Exhibit, such reference shall be to a Section or Article of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "include," "includes" and "including" when used in this Agreement shall be deemed in such case to be followed by the phrase " , but not limited to, ". Words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require. This Agreement is the joint product of the Parties and each provision of this Agreement has been subject to the mutual consultation, negotiation and agreement of each Party and shall not be construed for or against any Party.

Section 10.12. EXECUTION OF COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

Section 10.13. PUBLICATION OF DOCUMENTS. The Parties acknowledge that District is required to publish Application and its required schedules, or any amendment thereto; all economic analyses of the proposed Project submitted to District; and the approved and executed copy of this Agreement or any amendment thereto, as follows:

A. Within seven (7) days of such document, the school district shall submit a copy to Comptroller for Publication on Comptroller's Internet website;

B. District shall provide on its website a link to the location of those documents posted on Comptroller's website;

C. This Section does not require the publication of information that is confidential under Section 313.028 of the Texas Tax Code.

Section 10.14. CONTROL; OWNERSHIP; LEGAL PROCEEDINGS. Applicant shall immediately notify District in writing of any actual or anticipated change in the control or ownership of Applicant and of any legal or administrative investigations or proceedings initiated against Applicant regardless of the jurisdiction from which such proceedings originate.

Section 10.15. DUTY TO DISCLOSE.

If circumstances change or additional information is obtained regarding any of the representations and warranties made by Applicant in the Application or this Agreement, or any other disclosure requirements, subsequent to the date of this Agreement, Applicant's duty to disclose continues throughout the term of this Contract.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 10th day of November, 2014.

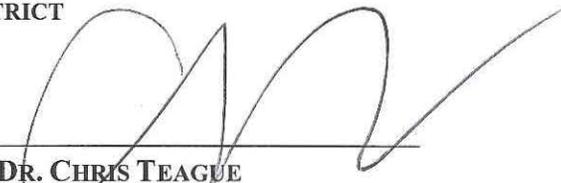
IKO Southwest Inc.

By: 
Authorized Representative

Name: RON HEALEY

Title: TREASURER

**HILLSBORO INDEPENDENT SCHOOL
DISTRICT**

By: 

DR. CHRIS TEAGUE
President
Board of Trustees

Attest:

By: 

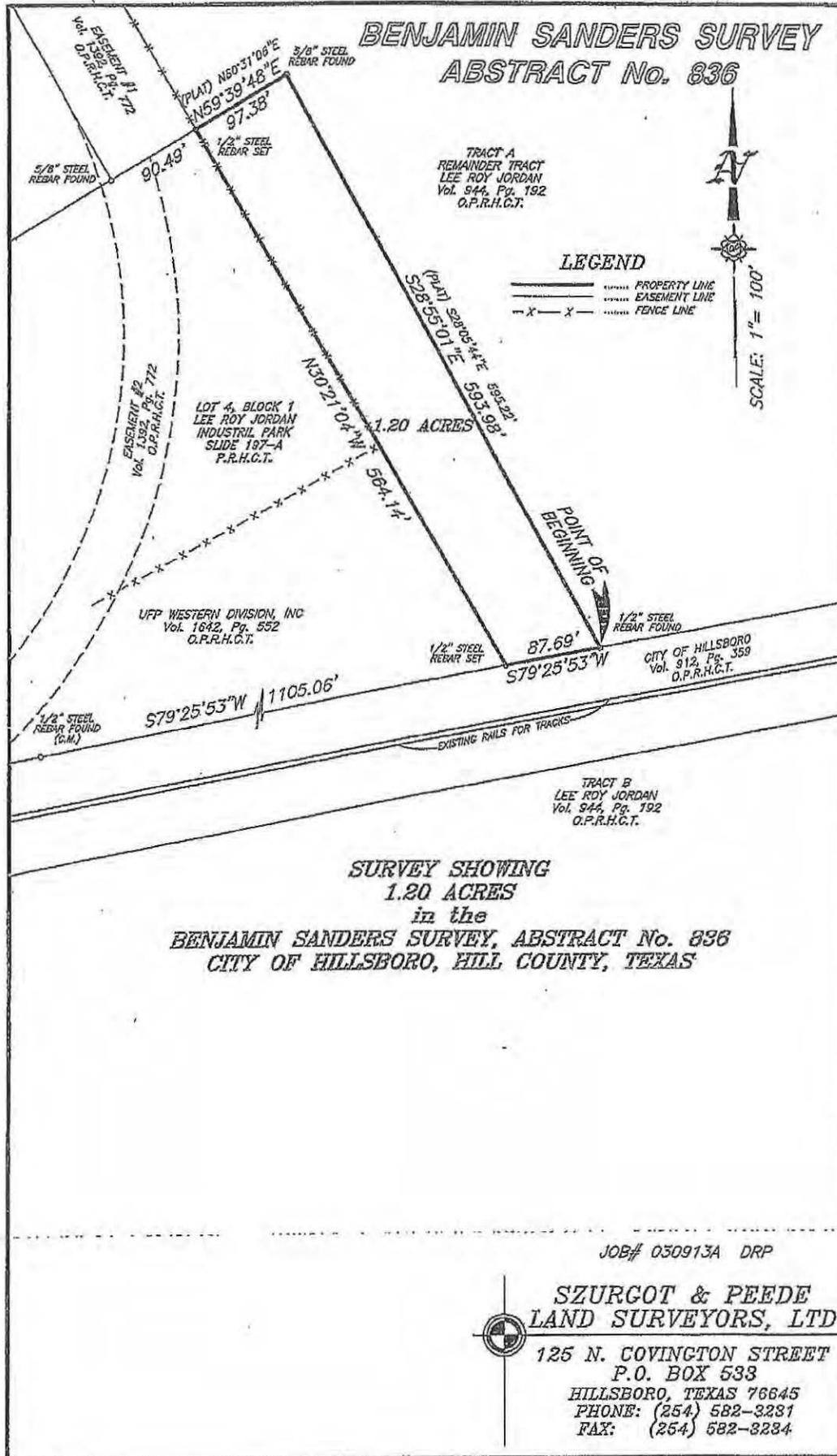
KAREN SMITH
Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION AND LOCATION OF ENTERPRISE OR REINVESTMENT ZONE

Hillsboro Reinvestment Zone Number 17 was created on June 23, 2014, by action of the City Council of the City of Hillsboro. As a result, all of the following real property within Hill County, Texas is located within the boundaries of the *Hillsboro Reinvestment Zone Number 17*. The surveyed map of the *Hillsboro Reinvestment Zone Number 17* is attached as the last pages of this **EXHIBIT 1**.

Exhibit "A" B-2

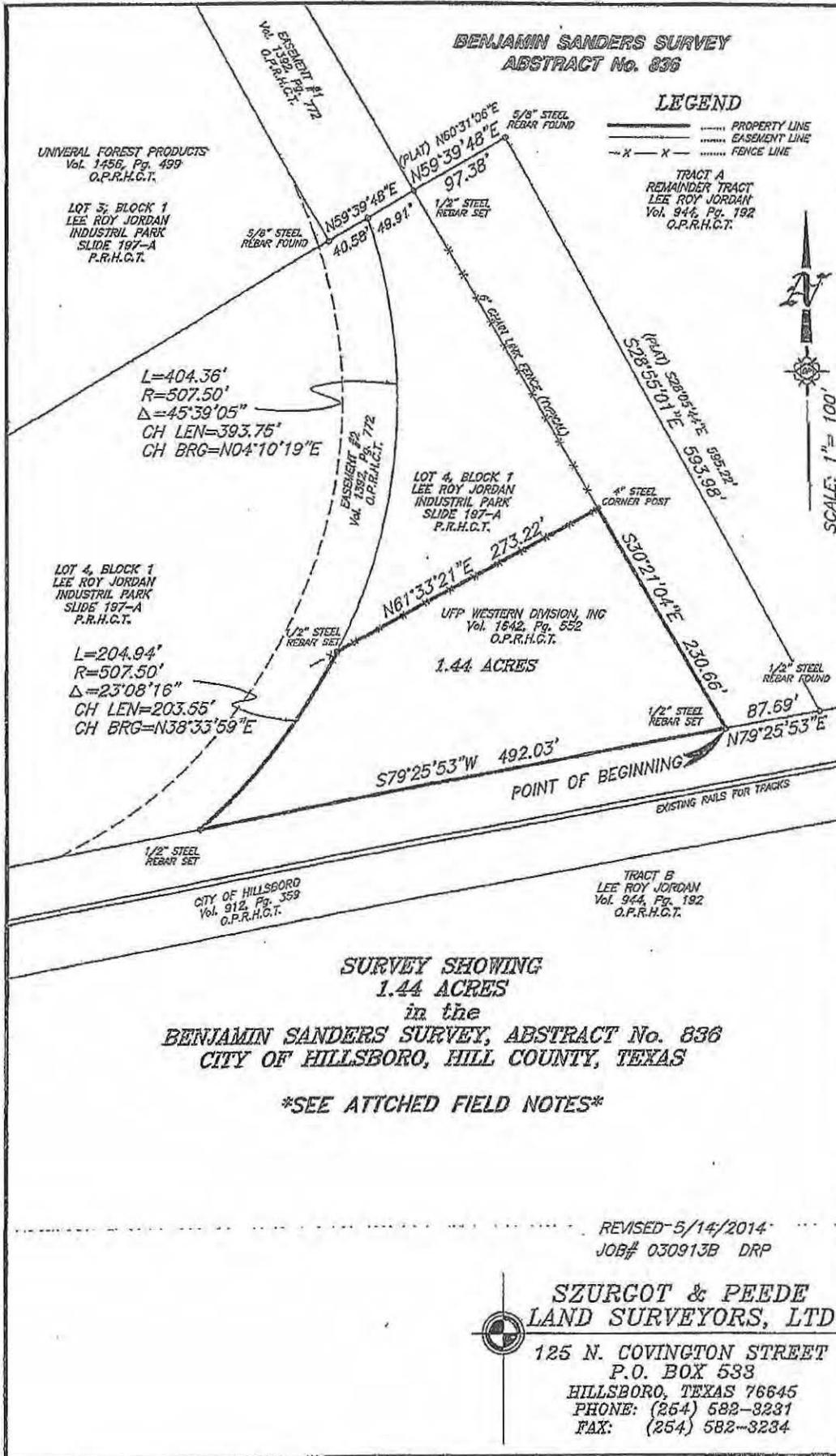


SURVEY SHOWING
1.20 ACRES
in the
BENJAMIN SANDERS SURVEY, ABSTRACT No. 836
CITY OF HILLSBORO, HILL COUNTY, TEXAS

JOB# 030913A DRP

SZURGOT & PEEDE
LAND SURVEYORS, LTD
125 N. COVINGTON STREET
P.O. BOX 533
HILLSBORO, TEXAS 76645
PHONE: (254) 582-3231
FAX: (254) 582-3234

Exhibit "A" B-3



**SURVEY SHOWING
1.44 ACRES
in the
BENJAMIN SANDERS SURVEY, ABSTRACT No. 836
CITY OF HILLSBORO, HILL COUNTY, TEXAS**

SEE ATTCHED FIELD NOTES

REVISED-5/14/2014
JOB# 030913B DRP

**SZURGOT & PEEDE
LAND SURVEYORS, LTD**
 125 N. COVINGTON STREET
 P.O. BOX 533
 HILLSBORO, TEXAS 76645
 PHONE: (254) 582-3231
 FAX: (254) 582-3234

EXHIBIT 2

DESCRIPTION AND LOCATION OF THE APPLICANT'S QUALIFIED INVESTMENT

All Qualified Property owned or leased by the Applicant and located within the boundaries of both the Hillsboro Independent School District and the *Hillsboro Reinvestment Zone Number 17* will be included in and subject to this Agreement. Specifically, all Qualified Property of the Applicant located within the land identified in **EXHIBIT 1**.

The legal description for the 56.15 acres of Land being acquired by Applicant (all of which is within the *Hillsboro Reinvestment Zone Number 17*) is as follows:

Tract 1:

LEGAL DESCRIPTION

53.51 Acres

In the

Benjamin Sanders Survey, Abstract No. 836

City of Hillsboro, Hill County, Texas

All that certain tract or parcel of land located in the Benjamin Sanders Survey, Abstract No. 836, City of Hillsboro, Hill County, Texas, and being a part of a called 94.72 acre tract of land (Tract A) conveyed by Welca Jean Farr and William Ray Allen to Lee Roy Jordan, D/B/A as Lee Roy Jordan Interests, dated August 27, 1997, and being recorded in Volume 944, Page 192, of the Official Public Records of Hill County, Texas, and being more particularly described as follows:

BEGINNING at a mag-nail found in Old Highway No. 77 (Hill County Road 4343), called to be in the northerly line of said Benjamin Sanders Survey and the southerly line of the Ewen Cameron Survey, Abstract No. 131 and being the northwest corner of a tract of land conveyed to Percy Lee Curtis (First Tract) by deed recorded in Volume 346, Page 214, of the Deed Records of Hill County, Texas, and being the northeast corner of said 94.72 acre tract;

THENCE South 30 degrees 54 minutes 07 seconds East (Directional Control Line), along the common line between said Curtis tract and said 94.72 acre tract, for a distance of 1599.85 feet to a 5/8" steel rebar found at a corner on the westerly line of Interstate Highway No. 35 (variable width right-of-way), being the most easterly northeast corner of said 94.72 acre tract;

THENCE South 03 degrees 57 minutes 41 seconds West, along the westerly line of said Interstate Highway No. 35, for a distance of 620.22 feet to a brass TXT-DOT monument found at a corner on the northerly line of the old SF&L Railway (100 foot right-of-way) that is conveyed to the City of Hillsboro by Quitclaim Deed recorded in Volume 912, Page 359, of the Official Public Records of Hill County, Texas, and being the southeast corner of said 94.72 acre tract;

THENCE South 79 degrees 25 minutes 53 seconds West, along the common line between said Railway tract and said 94.72 acre tract, for a distance of 968.58 feet to a 1/2" steel rebar set at a corner, being the southeast corner of Lot 4, Block 1, of Lee Roy Jordan Industrial Park, an addition to the City of Hillsboro according to the plat recorded in Slide 197-A, of the Plat Records of Hill County, Texas, and being in the southerly line of said 94.72 acre tract and from which a 1/2" steel rebar found at the southwest corner of said 94.72 acre tract bears South 79 degrees 25 minutes 53 seconds West at a distance of 1202.75 feet;

THENCE North 28 degrees 55 minutes 01 seconds West, along the easterly line of said Lot 4, for a distance of 593.98 feet to a 5/8" steel rebar found at a corner, being the northeast corner of said Lot 4;

THENCE South 59 degrees 39 minutes 48 seconds West, along the northerly line of said Lot 4, for a distance of 97.38 feet to a 5/8" steel rebar found at a corner, being the southeast corner of a tract of land

described as Easement #1 recorded in Volume 1392, Page 772, of the Official Public Records of Hill County, Texas, from which a 5/8" steel rebar found at the southeast corner of Lot 3, of said Block 1 bears South 59 degrees 39 minutes 48 seconds West at a distance of 187.87 feet;

THENCE North 30 degrees 21 minutes 04 seconds West, generally along a fence line and the easterly line of said of said Easement #1 tract, for distance of 389.67 feet to a 1/2" steel rebar set at a corner on the east line of said Easement #1 tract;

THENCE North 59 degrees 36 minutes 59 seconds East, for a distance of 217.77 feet to a 1/2" steel rebar set at a corner;

THENCE North 30 degrees 18 minutes 31 seconds West, at 750.00 feet passing a 1/2" steel rebar set for reference on the south line of said Old Highway No. 77, continuing in all for a total distance of 487.70 feet to a point in said Old Highway No. 77 and the northerly line of the aforementioned 94.72 acre tract;

THENCE North 59 degrees 36 minutes 59 seconds East, along said Old Highway No. 77 and the northerly line of said 94.72 acre tract, for a distance of 11109.81 feet to the point of beginning, and containing 53.51 acres of land, of which approximately 1.27 acres of land lies within said Old Highway No. 77, as surveyed by Szurgot & Peede Land Surveyors, LTD., in March and April of 2013 and revised on July 29, 2014.

Bears for this survey are based on Texas State Plain North Central Zone Coordinates.

Donny Peede, Texas RPLS No. 5137
Job No. 030913 DRP
Revised July 29, 2014

Tract 2:

"Lot 4R2, Block 1, Lee Roy Jordan Industrial Addition, an addition to the City of Hillsboro, Hill County, Texas, according to the re-plat recorded in Slide 319-A of the Plat Records of Hill County, Texas."

EXHIBIT 3
DESCRIPTION AND LOCATION OF QUALIFIED PROPERTY

This Agreement covers all qualified property within Hillsboro ISD necessary for the commercial operations of the proposed manufacturing facility described in Tab 4. Qualified property includes, but is not limited to real estate, site preparation, roads and paving, office, warehouse, and manufacturing buildings, silos, storage facilities, rail spur and rail car loading and unloading facilities, truck loading and unloading facilities, docks, scales, pumps piping, tanks heaters, blenders and related production equipment, conveyors and elevators, control rooms, and shops and all related and necessary facilities and equipment for the manufacturing of roofing materials; including but not limited to one or more of the following:

- Asphalt storage tanks
- Asphalt unloading system from trains
- Asphalt flux storage tanks
- Asphalt coating storage tanks
- Oxidizer tanks
- Knock-out tanks
- Incinerators
- Oxidizer air blowers
- F.C. tanks
- Hot oil heaters
- Steam heat exchangers
- Hot oil expansion tanks
- Primary transformers
- Emergency generators
- Limestone Pulveriser systems
- Filler storage silos
- Granule unloading systems from trains
- Granule unloading elevators
- Granule storage silos
- Dust collectors
- Filler heaters
- Main production equipment:
 - Coating preheaters
 - Blend elevators
 - HL elevators
 - Fiesta elevators
 - BS elevators

- Blend reclaim elevators
- Filler mixers
- Top Surge tanks
- Bottom surge tanks
- Unwind stands
- DMA accumulators
- Coaters
- Slating sections
- Press sections
- Cooling sections
- Finish product loopers
- Carry over sections
- 3-tab sections
- Laminator sections
- Slitter sections
- Cut to length sections
- Take off sections
- Catchers sections
- Hi lug sections
- Packaging ends
- Arpacs
- SBS mixing tanks
- SBS storage tanks
- Machine shop equipment
- Parts storage systems
- Pallet dispensing systems
- Water storage and purifier systems
- Compressed air systems
- Site mobile equipment including forklifts, front end loaders, rail car shunters, site maintenance truck(s)
- Mist Eliminators
 - For Shingle Line
 - For Laminator/Adhesive Mixing and Storage
 - For Asphalt Storage Tanks

The facility will also require ancillary personal property. All of the property for which the Applicant is seeking a limitation on appraised value will be owned by the Applicant or a valid assignee pursuant to this Agreement.